

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36**

AND

**IN THE MATTER OF THE RECEIVERSHIP OF
POPE & TALBOT LTD., POPE & TALBOT, INC.,
MACKENZIE PULP LAND LTD., P&T FUNDING LTD., PENN TIMBER, INC.
POPE & TALBOT LUMBER SALES, INC., POPE & TALBOT PULP SALES U.S., INC.
POPE & TALBOT RELOCATION SERVICES, INC., P&T POWER COMPANY, AND
P&T FINANCE THREE LLC
(Collectively referred to as "P&T" or the "Company")**

**INTERIM RECEIVER'S FIFTH REPORT TO COURT
[Prepared for the August 13, 2008 Court Hearing]**

AUGUST 11, 2008

**POPE & TALBOT LTD. et al
INTERIM RECEIVER'S FIFTH REPORT TO COURT**

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1 INTRODUCTION

- 1.1 By Order of Chief Justice Brenner made May 10, 2008 (the "Order") in British Columbia Supreme Court Action No. S077839, Vancouver Registry (the "CCAA Proceedings"), PricewaterhouseCoopers Inc. ("PwC") was appointed Interim Receiver and Receiver of the Company (in such capacities, the "Interim Receiver" or the "Receiver"). Details relating to the Company and the filing are set out in the Petition filed in these proceedings.
- 1.2 PwC has established a website at www.pwc.com/car-poptal where all materials filed with this Court by P&T and PwC, as well as any Orders granted by this Court, including the Petition and the Order, are available in electronic form to creditors and other interested parties.
- 1.3 Materials filed and Orders granted by the U.S. Court in respect of the Chapter 11 proceedings are maintained on the website of Kurtzman Carson Consultants ("KCC") at <http://www.kccllc.net/popetalbot>.
- 1.4 The Receiver's First Report to Court dated July 6, 2008, addressed the Company's application for an extension of the stay of proceedings, which was extended until July 17, 2008, and provided an update on the status of the various sales processes being managed by the Receiver.
- 1.5 The Receiver's Second Report to Court dated July 16, 2008, was prepared to inform this Court on the status of the D&O and Post-Filing Creditors Claim processes, the surplus cash on hand as of July 4, 2008, assets outside of Canada and certain matters between P&T and International Forest Products Ltd. ("Interfor").
- 1.6 The Receiver's Third Report to Court dated July 23, 2008, was prepared to inform this Court on the status of the offers for the Harmac pulp mill, the surplus cash available to fund certain priorities and payout Wells Fargo Financial Canada Corporation.
- 1.7 The Receiver's Fourth Report to Court dated July 29, 2008, was prepared to inform this Court on the status of the offers received for the Harmac

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pulp mill and the status the Receiver's negotiations with Interfor. At that Court hearing on July 30, 2008, this Court approved the asset purchase agreement presented by Nanaimo Forest Products Ltd. ("NFP").

- 1.8 This is the Receiver's Fifth Report to Court since its appointment on May 10, 2008. This report is prepared to inform this Court of:
- 1.8.1 On the status of the NFP asset purchase agreement;
 - 1.8.2 The receipt by the Receiver of a back-up offer for the Harmac pulp mill;
 - 1.8.3 An amendment to the Fort St. James mill Vesting Order;
 - 1.8.4 The status of the claim of the Province of British Columbia with respect to the post-filing trade creditors claims process; and
 - 1.8.5 The Receiver's entitlement to subrogation to the claims of Post-Filing Creditors.

2 BACKGROUND OF THE CCAA AND THE RECEIVERSHIP

- 2.1 This administration began in October 2007 with P&T making an application under the *Companies' Creditors Arrangement Act* (the "CCAA"). The CCAA continues with PwC acting as Monitor. On May 10, 2008, PwC was appointed Interim Receiver and Receiver and PwC continues in this capacity.
- 2.2 Full details of the proceedings are set out in Appendix A.

3 HARMAC PULP MILL

- 3.1 NFP APA Status Update
- 3.1.1 On July 30, 2008, this Court granted the application of Nanaimo Forest Products Ltd. ("NFP") for an order authorizing the Receiver to sell the Harmac pulp mill ("Harmac") to NFP in accordance

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with the terms of an asset purchase agreement (the "NFP APA") presented to this Court by NFP.

- 3.1.2 After Court approval, the Receiver and NFP agreed to some minor edits to the NFP APA, which has now been executed by both parties.
- 3.1.3 In accordance with the terms of the NFP APA, the Time of Closing is to be 8:00 am PDT on Friday, August 29, 2008 unless an extension is agreed to by both parties. The Receiver's counsel has notified NFP that no extensions of the Closing Date beyond August 29, 2008 will be agreed to by the Receiver. The Receiver respectfully seeks confirmation by the Court as to its right to terminate the NFP APA after the Time of Closing in the event NFP fails to fulfil its obligations under the NFP APA by that time.
- 3.1.4 To facilitate the Closing and any applicable Start-up Activities as envisioned in the NFP APA, the Receiver and NFP have agreed to a Pre-Closing Start-up Costs Protocol and a Transition of Administration Services Protocol. The aforementioned protocols (together, the "Protocols") are intended only to document the working arrangements between the Receiver and NFP, and do not amend or supersede the NFP APA.
- 3.1.5 The Receiver and NFP are cooperating in accordance with the Protocols.

3.2 Back-up Offer for Harmac

- 3.2.1 Pursuant to Section 10.1 of the NFP APA, the Receiver may enter into back-up agreements with third parties which may be presented for Court approval and completed in the event that the NFP APA does not complete or is terminated in accordance with its terms.
- 3.2.2 The Receiver and 830274 B.C. Ltd. ("830") have executed an asset purchased agreement (the "830 APA") dated August 8, 2008 as a back-up agreement for the purchase and sale of the Harmac pulp

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mill. The purchase price under the 830 APA is \$20.0 million and the closing date is September 15, 2008. A copy of the 830 APA is attached as Appendix B.

3.2.3 To date, 830 has provided the Receiver's counsel a deposit of \$1.9 million. The remaining \$100,000 is to be paid within one day of Court approval. The deposit will be increased by another \$2.0 million (for a total of \$4.0 million) upon the termination of the NFP APA.

3.2.4 For previously approved asset sales transactions, the Receiver (and previously the Monitor) presented a brief summary of the business terms of a recommended transaction for this Court to review; however, as a result of the late submission of the NFP APA, the Receiver was unable to provide that to this Court in its Fourth Report dated July 29, 2008. Consequently, below is a brief summary of the business terms for both NFP APA and 830 APA:

Business Term	NFP APA	830274 APA
Assets included	Harmac pulp mill and all related lands	Harmac pulp mill and all related lands
Purchase price	\$13.2 million	\$20.0 million
Items affecting net recovery to estate	Western Forest Products Inc. fibre agreements (decrease in recovery by approximately \$953,000 - amount to still be determined with WFPI).	Property tax (decrease in recovery by approximately \$200,000 for the extra 3 weeks to Closing); Idle mode costs (decrease in recovery by approximately \$400,000 for the extra 2 weeks to Closing).
Liabilities assumed	Environmental and employee (Note: due to the size of the D&O claims the value of the indemnity is not determinable at this time)	Environmental
Conditions on closing	Court approval The assignment of the Western Forest Products Inc. fibre agreements	Court approval Termination of the NFP APA in accordance with the terms of the NFP APA by no later than August 30, 2008.
Closing date	On or before 8:00 am PDT, August 29, 2008	On or before 8:00 am PDT, September 15, 2008

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3.3 Receiver's Recommendation and Next Steps

3.3.1 The Receiver will continue to work with NFP in accordance with the NFP APA and the Protocols to facilitate closing by the Closing Date; however, the Receiver is recommending that this Court approve the 830 APA as a back-up based on the following:

3.3.1.1 The 830 APA includes more favourable business terms than the NFP APA;

3.3.1.2 The Receiver is projecting to incur unrecoverable operating costs in excess of \$700,000 to keep the Harmac mill in "idle" mode to August 29, 2008 as it is obligated to do under the terms of the NFP APA, and delays in closing will decrease overall realizations; and

3.3.1.3 An approved back-up offer does not prejudice the existing NFP APA.

4 AMENDMENT TO THE FSJ VESTING ORDER

4.1 Since the entry of the July 17, 2008 Order of this Court (the "Approval Order") approving the sale of the Fort St. James sawmill to Conifex Inc. ("Conifex"), it has been discovered that there is an error in the description in Schedule "D" to the Approval Order of one of the encumbrances registered against the lands to be transferred to Conifex (the "Lands"). Through inadvertence, paragraph 2(d) of Schedule "D" to the Approval Order incorrectly identified the charge number under which the Assignment of Rents registered against the Lands in favour of Ableco Finance LLC as being "FB122525", whereas the correct charge number is "FB122526". Accordingly, the Receiver is seeking an Order amending Schedule "D" to the Approval Order to correct this mistake.

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5 STATUS OF D&O CLAIMS PROCESS

5.1 The summary of the claims process is as follows:

	\$
Quantified claims filed	188,849,820
Disallowance sent to August 8, 2008	<u>(146,515,311)</u>
Balance remaining	<u><u>42,334,509</u></u>

5.2 Quantified claims include double counting and errors in calculation but exclude numerous claims that were filed as “to be determined” or “unknown”.

6 PROVINCE'S CLAIM IN THE POST-FILING PROCESS

6.1 \$1,910,382 of claims filed by Her Majesty the Queen in Right of the Province of British Columbia (the “Province of BC”) were disallowed as claims not eligible to be made against the Administrative the carve-out (the “Carve Out”) in favour of Post-Filing Creditors created under the DIP Loan Agreement (as those terms are defined in the May 29, 2008 Order of this Court). For a number of reasons, including that certain of the Province of BC's claims are likely to be paid in connection with the sale of Pope & Talbot's assets, including the Fort St. James sawmill and the Harmac pulp mill, it is impossible for both the Monitor and, more significantly, the Province of BC, to quantify the Province of BC's Post-Filing Claim at this time.

6.2 In light of the foregoing, the Monitor is of the view that it is unrealistic to expect, and impractical to require, the Province of BC to file a notice of motion and supporting affidavits seeking a determination of its claim by the August 22, 2008 deadline. Accordingly, the Monitor respectfully requests the authority to extend such deadline to a date determined by the Monitor.

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7 SUBROGATION RIGHTS OF RECEIVER

- 7.1 In connection with the sale of Pope & Talbot's assets, including the Fort St. James sawmill and the Harmac pulp mill, the Receiver may be paying indebtedness owing from Pope & Talbot to third parties as a condition of the assignment of various contracts between Pope & Talbot and such third parties. This includes licenses and permits issued by the Province of BC as well as other leases.
- 7.2 In some cases, the indebtedness of Pope & Talbot paid by the Receiver may otherwise have constituted a Post-Filing Claim entitling the third party creditor to be paid from payable from the Carve Out.
- 7.3 In light of the foregoing, the Receiver respectfully seeks an Order subrogating the Receiver to the rights of such third parties to the extent of such payments in order that the Receiver can be paid from the Carve Out in place of the third parties (to the extent such third parties were otherwise entitled to be paid from the Carve Out). Absent such subrogation rights, the secured creditors are prejudiced by virtue of the payment in full of certain Post-Filing Claims.

This report is respectfully submitted this 11th day of August 2008.

PricewaterhouseCoopers Inc.
Court Appointed Interim Receiver and Receiver of
Pope & Talbot Ltd. and its affiliates



Craig G. Bushell
Senior Vice President

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APPENDIX A

BACKGROUND OF THE CCAA AND THE RECEIVERSHIP

BACKGROUND OF THE CCAA AND THE RECEIVERSHIP

1. On October 29, 2007, P&T made an application under the *Companies' Creditors Arrangement Act* (the "CCAA") and an initial order (the "Initial Order") was granted by the Ontario Superior Court of Justice (Commercial List). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor of the Company.
2. On November 21, 2007, an application was made by the Company to the Supreme Court of British Columbia (this "Court" or where appropriate the "Canadian Court") to have the CCAA Proceedings transferred from the Ontario Court and for this Court to assume primary jurisdiction of the CCAA Proceedings. This Court granted such order.
3. On November 21, 2007, this Court made an order amending, restating, and confirming the Initial Order. Pursuant to this order, the stay of proceedings was extended to January 16, 2008.
4. On November 19, 2007, P&T together with its U.S. Parent company and several U.S. affiliates filed a voluntary petition in the United States Bankruptcy Court (the "U.S. Court") for relief under Chapter 11 of the U.S. Bankruptcy code.
5. As a result of the cross-border nature of this restructuring, on December 14, 2007, this Court and the U.S. Court each approved a Cross-Border Insolvency Protocol that was intended to assist with the administration.
6. On January 15, 2008, this Court made an order extending the stay of proceedings until February 15, 2008.
7. On February 12, 2008, this Court made an order extending the stay of proceedings until April 4, 2008.
8. On March 28, 2008, this Court made an order extending the stay of proceedings until April 25, 2008.
9. On April 22, 2008, this Court made an order extending the stay of proceedings until April 28, 2008.
10. On April 28, 2008, this Court made an order extending the stay of proceedings until May 5, 2008.

BACKGROUND OF THE CCAA AND THE RECEIVERSHIP

11. On May 5, 2008, this Court made an order extending the stay of proceedings until May 12, 2008.
12. On May 10, 2008, this Court appointed PricewaterhouseCoopers Inc. as Interim Receiver and Receiver of certain assets of the Petitioners, as defined in the Amended and Restated and Confirmed Initial Order. On the same day, this Court made an order extending the stay of proceedings until May 15, 2008.
13. On May 15, 2008, this Court made an order extending the stay of proceedings until May 20, 2008.
14. On May 20, 2008, this Court made an order extending the stay of proceedings until June 13, 2008.
15. On June 13, 2008, this Court made an order extending the stay of proceedings until July 7, 2008.
16. On July 7, 2008, this Court made an order extending the stay of proceedings until July 17, 2008.
17. On July 17, 2008, this Court made an order extending the stay of proceedings until September 2, 2008.
18. PwC, in its capacity as Monitor, has filed fourteen reports with this Court with respect to the CCAA proceedings. The most recent report was dated May 4, 2008.
19. PwC, in its capacity as Receiver, has filed four reports to this Court with respect to the Receivership proceedings. The last report was dated July 29, 2008.
20. Capitalized terms not defined in this Report are as defined in the Initial Order and Monitor's previous reports.

APPENDIX B

830274 APA

ASSET PURCHASE AGREEMENT

BETWEEN

PRICEWATERHOUSECOOPERS INC., in its
capacity as receiver appointed in SCBC Action
S077839, Vancouver Registry with respect to the
Harmac Pulp Mill

AND

830274 B.C. LTD.
PO Box 190, 30 Front Street
Nanaimo, B.C. V9R 5K9

Dated August 8, 2008

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made the 8th day of August 2008.

BETWEEN:

PRICEWATERHOUSECOOPERS INC., in its capacity as the receiver appointed in Supreme Court of British Columbia Action #S077839, Vancouver Registry, with respect to the Harmac Pulp Mill, having an office at 700 – 250 Howe Street, Vancouver, British Columbia, V6C 3Z7

(the "**Vendor**")

AND:

830274 B.C. LTD., a company incorporated under the laws of the Province of British Columbia and having an address of PO Box 190, 30 Front Street, Nanaimo, British Columbia, V9R 5K9

(the "**Purchaser**")

WHEREAS:

A. The Companies previously owned certain lands and a pulp mill situate at or near Nanaimo, British Columbia (the "**Mill**");

B. The Vendor is the interim receiver and receiver (the "**Receiver**") appointed in Court action S077839 Vancouver Registry (the "**Court Action**") pursuant to Orders granted in the Court Action on May 10, 2008 and June 16, 2008, by which the Receiver was authorized to offer for sale the assets of, *inter alia*, the Companies, with all offers subject to approval of the Court in the Court Action;

C. The Vendor has agreed to sell and the Purchaser has agreed to purchase certain of the assets of the Companies on the terms and subject to the conditions provided in this Agreement.

NOW, THEREFORE, in consideration of the covenants, representations, warranties and agreements contained herein, the Parties hereto covenant and agree as follows:

1. INTERPRETATION

1.1 Definitions. Unless otherwise specifically provided or the context otherwise requires, where used in this Agreement (including the Exhibits hereto) and the Recitals to this Agreement, the following terms shall have the meanings set forth or as referenced below:

- (a) "**Affiliate**" with respect to any Person means another Person which is affiliated with the first mentioned person within the meaning thereof in the *Securities Act* (British Columbia).

- (b) **"Agreement"** means this agreement, the Recitals hereto and all Exhibits attached hereto, in each case, as they may be amended or supplemented from time to time in accordance with this Agreement, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby", and similar expressions, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement.
- (c) **"Applicable Law"** means any law (including the common law), ordinance (including any Environmental Laws), rule, regulation, by-law (zoning or otherwise), or Order in effect in British Columbia, all as determined in accordance with the laws in effect in British Columbia, that applies to the subject person, entity, property or securities.
- (d) **"Assumed Obligations"** has the meaning ascribed thereto in Section 3.4.
- (e) **"Books and Records"** means all books and records which are in the actual possession or control of the Vendor, or any of its agents or representatives which are situate at the Mill Site, and which relate to the Purchased Assets including as applicable any legal and accounting records, but for greater certainty excludes any such books and records which are Excluded Assets.
- (f) **"Business"** means the business formerly carried on by the Companies at the Mill Site, which business included producing, manufacturing and selling pulp and all ancillary activities related thereto.
- (g) **"Business Day"** means any day other than a Saturday, a Sunday or any other statutory holiday in Vancouver, British Columbia.
- (h) **"Closing"** means the completion of the purchase and sale of the Purchased Assets.
- (i) **"Closing Date"** has the meaning as ascribed thereto in Section 3.1.
- (j) **"Companies"** means:
 - (i) Pope & Talbot Ltd., a corporation under the *Canada Business Corporations Act*; and
 - (ii) Pope & Talbot, Inc. a corporation under the laws of the State of Delaware;and **"Company"** means any one of them as the context requires;
- (k) **"Confidentiality Agreement"** means the confidentiality agreement between the Vendor and the Purchaser.
- (l) **"Consents"** means all necessary third party notices, consents and approvals to the assignment of the Leases, the Licences and Permits and the Other Contracts to the Purchaser and all other necessary consents, authorizations, registrations and

approvals required by any Governmental Authority relating to the transactions contemplated by this Agreement, including, but not limited to, those listed in Exhibit C.

- (m) **"Contaminants"** means any pollutant, contaminant, waste, toxic, corrosive or hazardous substance, deleterious substance, dangerous substance, dangerous good or hazardous or special waste as defined in, or prohibited or regulated by, any Environmental Laws including, without limitation, asbestos, asbestos-containing materials, radioactive materials, urea formaldehyde and PCBs (polychlorinated biphenyls).
- (n) **"Court"** means the British Columbia Supreme Court having jurisdiction in the Court Action.
- (o) **"Court Order"** means an Order of the Court in the Court Action: (i) approving the entry by the Vendor into this Agreement and the consummation of the transactions contemplated hereby; and (ii) vesting in the Purchaser or providing for a vesting in the Purchaser of all the right, title and interest of the Companies in the Purchased Assets free and clear of all Encumbrances, other than the Permitted Encumbrances, substantially in the form of court order attached hereto as Exhibit F.
- (p) **"Crown"** means Her Majesty the Queen in right of the Province of British Columbia.
- (q) **"Crown Leases"** means the leases between the Crown and Pope & Talbot Ltd. described and listed in Exhibit C, Part 2.
- (r) **"Deposit"** has the meaning ascribed thereto in Section 2.2(a).
- (s) **"Encumbrance"** means any encumbrance of any kind whatsoever and includes, without limitation, a security interest, mortgage, lien, hypothec, pledge, assignment, charge, title retention agreement, option, security under Section 426 or Section 427 of the *Bank Act* (Canada), trust or deemed trust (whether contractual, statutory or otherwise arising), any covenant or other agreement, restriction or limitation relating to the transfer of the Purchased Assets and any (a) easement, (b) restrictive covenant, (c) right of way, (d) restriction, (e) encroachment, (f) title reservation of any kind with respect to real property, or (g) adverse claim of any kind or character whatsoever.
- (t) **"Environment"** means the air above the land, the water (including surface water and groundwater) in, on, adjoining and under the land and the land (including soil, sediments and lands submerged under water) as well as all animals, plants, fish and other species using or living in such areas.
- (u) **"Environmental Laws"** means all federal, provincial, municipal, or local laws, statutes, regulations, by-laws or rules, Orders, permits issued or made by any Governmental Authority, as well as any standards, directions, policies,

interpretations, codes, guidelines, or other requirements having the force of law and made by any Governmental Authority, now or hereafter in force, and the common law relating in whole or in part to the protection or preservation of the Environment, human health, occupational health and safety or transportation of dangerous goods and includes those laws, statutes, regulations, by-laws or rules relating to the storage, generation, use, handling, manufacture, processing, transportation, import, export, treatment, remediation, release or disposal of any Contaminants.

- (v) **"Environmental Liabilities"** means any and all liability, claim, demand, obligation, cause of action, remediation, cost recovery action, investigation, proceeding, Order, violation, damage, Loss, cost, expense, judgment, penalty, or fine asserted by any third party (including, without limitation, any private party or Government Authority), arising out of, or relating to the Environment or Environmental Laws.
- (w) **"Excluded Assets"** means any assets of either or both of the Companies that are not Purchased Assets, including:
 - (i) any cash, amounts on deposit or in possession of any bank or other depository institution, term deposit, and similar cash property of any of the Companies or the Vendor;
 - (ii) any accounts receivable of the Companies or any of them;
 - (iii) any accounts receivable of the Receiver, including any accounts receivable relating to any sales by the Receiver of any finished goods inventory of the Companies or any of them;
 - (iv) any financial records of any of the Companies;
 - (v) any of the Vendor's correspondence and other materials, including without limitation correspondence to and from the Vendor's legal counsel;
 - (vi) accounts, valuations and any other records or reports generated by the Vendor as a result or in the context of the administration of the receivership of the Companies; and
 - (vii) the assets described in Exhibit G.
- (x) **"Excluded Liabilities"** has the meaning ascribed thereto in Section 3.5.
- (y) **"GAAP"** means generally accepted accounting principles in Canada, applied consistently.
- (z) **"Governmental Authority"** means any Canadian or British Columbian government whether federal, provincial, municipal, local and any Person, agency,

authority, court tribunal, commission or other regulatory body of any kind whatsoever constituted by such government.

- (aa) **"GST Election Form"** has the meaning ascribed thereto in Section 3.7.
- (bb) **"including"** means, when not otherwise followed by the words "without limitation", including, without limitation.
- (cc) **"Intellectual Property"** means all right, title and interest of the Vendor and/or the Companies in and to the intellectual property listed in Exhibit I.
- (dd) **"Inventories"** means all raw materials related to the Business and located on the Lands as at the date of this Agreement, including mill stores (including all maintenance and repair supplies and spares), supplies (including fuels, grease, rotatables and chemicals and containers in which any of these are stored), wood fibre and supply inventory, wood chips and raw materials of the Vendor and the Companies which are stored or situated upon the Lands, but for greater certainty excludes any Excluded Assets.
- (ee) **"Lands"** means all the fee simple lands and premises owned by Pope & Talbot Ltd. and comprised of and relating to the Mill Site as listed in part 1 of Exhibit C together with all premises, buildings, structures, appurtenances, fixtures, easements, rights of way, private roads and other improvements situated thereon.
- (ff) **"Leased Premises"** means all the leased premises, covenants, rights-of-way, easements, licences, rights-to-purchase or similar rights and other similar rights related to the Business formerly conducted by the Companies on the Lands and which do not expire before the Closing Date including those that relate to any Leases of real property.
- (gg) **"Leasehold Improvements"** means the leasehold improvements situate on the Leased Premises.
- (hh) **"Leases"** means the Crown Leases and the Other Leases.
- (ii) **"Licences and Permits"** means the licences, permits, certificates, approvals, consents, registrations, orders, grants and other authorizations from any Governmental Authority related to the operation of the Business and the Purchased Assets, including those listed in Exhibit C, Part 3.
- (jj) **"Loss"** means any and all loss, liability, damage, cost or expense actually suffered or incurred by a Party (including, without limitation, the costs and expenses of all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, assessments, judgments, Orders, rulings, dues, penalties, fines, amounts paid in settlement or compromise, including court costs and reasonable legal fees and expenses).

- (kk) **"Material Loss"** means any damage to or destruction after the date of this Agreement of any of the Purchased Assets, individually or in the aggregate by a casualty of any kind, in respect of which the lesser of:
- (i) the fair appraised liquidation value, prior to damage or destruction, of the damaged or destroyed Purchased Asset(s); and
 - (ii) the cost of repair to bring the damaged or destroyed Purchased Asset(s) to the condition in which it was prior to such damage or destruction, as evidenced by an estimate provided by a qualified independent third party in keeping with normal industry practice,
- would exceed 15% of the Purchase Price.
- (ll) **"Mill"** has the meaning ascribed thereto in Recital A.
- (mm) **"Mill Site"** means the lands and premises on which the Mill is situate and at which the Companies previously carried on the Business as more particularly described in Part 1 of Exhibit C.
- (nn) **"NFP APA"** means the asset purchase agreement dated July 30, 2008 between the Vendor and Nanaimo Forest Products Ltd.
- (oo) **"Order"** means any order, decision, determination, judgment, injunction, decree, award or writ of any court, arbitrator or Governmental Authority, or other Person who has jurisdiction over the subject matter of the order, decision, determination, judgment, injunction, decree, award or writ and is authorized to make legally binding determinations.
- (pp) **"Other Contracts"** means the contracts enumerated in Exhibit H under the sub-heading "Other Leases and Other Contracts".
- (qq) **"Other Leases"** means the leases of real or personal property enumerated in Exhibit H under the sub-heading "Other Leases and Other Contracts".
- (rr) **"Other Transaction Documents"** has the meaning ascribed thereto in paragraph 1 of Exhibit A.
- (ss) **"Parties"** means the Purchaser and the Vendor, and **"Party"** means either one of them as the context required.
- (tt) **"Permitted Encumbrances"** means:
- (i) the reservations, limitations, provisions or conditions expressed in the original grants from the Crown of any of the Lands and the statutory exceptions to title currently applicable to the Lands;

- (ii) exceptions and reservations in favour of other grantors, restrictive covenants, easements, rights-of-way, mineral claims, reservations of under surface rights, agricultural land reserve notations and other similar rights or agreements, in any such case, as presently registered against title to any of the Lands;
- (iii) charges granted by public utilities or the holders of the interests described in Section 1.1(tt)(ii) in respect of their interests, if any, in the Lands;
- (iv) a claim of right, title or jurisdiction which may be made or established by any aboriginal peoples by virtue of their status as aboriginal peoples to or over any lands, waters or products harvested therefrom;
- (v) undetermined or inchoate liens and charges incidental to current construction or current operations which have not been filed or registered in accordance with Applicable Law or of which written notice has not yet been duly given in accordance with Applicable Law or that relate to an obligation not yet due or delinquent, which in each case relate to obligations or liabilities assumed by the Purchaser at the Time of Closing; and
- (vi) the other Permitted Encumbrances listed in Exhibit E.
- (uu) **"Person"** means any individual, corporation, partnership, limited partnership, limited liability company, joint venture, association, joint-stock company, trust, society, incorporated organization or any other similar entity.
- (vv) **"Personal Information"** has the meaning ascribed thereto in Section 5.6.
- (ww) **"Personal Property"** means all the machinery, plant, equipment, trade fixtures, furnishings, accessories and all similar equipment (including accessories) owned by any of the Companies and used in or related to the operation of the Business and situate on the Lands as at the date of this Agreement, but for greater certainty excludes any Excluded Assets.
- (xx) **"PIPA"** has the meaning ascribed thereto in Section 5.6.
- (yy) **"Purchase Price"** has the meaning ascribed thereto in Section 2.2.
- (zz) **"Purchased Assets"** means all of the right, title and interest of the Vendor and the Companies in and to:
 - (i) the Lands;
 - (ii) the Personal Property;
 - (iii) the Inventories;

- (iv) the rights and benefits under the Leases, the Licences and Permits and the Other Contracts;
- (v) the Leasehold Improvements and, subject to the Leases, the Leased Premises;
- (vi) the Books and Records; and
- (vii) the Intellectual Property,

but excluding the Excluded Assets.

- (aaa) "**Receiver**" has the meaning ascribed thereto in Recital B.
- (bbb) "**Releases**" has the meaning ascribed thereto in Section 4.5(b).
- (ccc) "**Taxes**" means all taxes, duties, levies, charges, withholding charges, assessments, reassessments and fees (including interest and penalties on any such amounts), of whatsoever nature or kind lawfully levied, assessed or imposed by any Governmental Authority.
- (ddd) "**Time of Closing**" means 8:00 a.m., Vancouver time, on the Closing Date or such other time as the Parties agree in writing that the Closing shall take place.
- (eee) "**Termination Date**" has the meaning ascribed thereto in Section 3.1.

- 1.2 Other Terms. Other terms may be defined elsewhere in the text of this Agreement and, unless otherwise indicated, shall have such meaning throughout this Agreement. All accounting terms not otherwise defined herein have the meanings attributable to them under GAAP and all determinations of an accounting nature required to be made shall be made in accordance with GAAP, applied consistently with prior periods.
- 1.3 Gender and Number. Words and defined terms importing the singular shall include and have a comparable meaning when used in the plural, and vice versa, and words importing gender include all genders.
- 1.4 Currency. All references to currency shall mean Canadian Dollars unless otherwise expressly provided.
- 1.5 Exhibits. The following Exhibits attached hereto are integral to and form part of this Agreement:

<u>Exhibit</u>	<u>Description</u>
A	Representations and Warranties of the Vendor
B	Representations and Warranties of the Purchaser
C	Lands, Permits and Licenses and Crown Leases
D	Assumed Obligations

E	Permitted Encumbrances
F	Form of Court Order
G	Excluded Assets
H	Other Leases and Other Contracts
I	Intellectual Property

1.6 Section Headings and References. All Section headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. Unless otherwise indicated, references to Articles or Sections are to Articles or Sections in the main body of this Agreement and references to paragraphs are references to numbered paragraphs in the Exhibits.

1.7 Time of Essence. Time is of the essence of this Agreement.

2. PURCHASE AND SALE OF ASSETS

2.1 Purchase and Sale of Assets. Upon and subject to the terms and conditions of this Agreement, the Vendor hereby agrees to sell and transfer to the Purchaser, and the Purchaser hereby agrees to purchase and acquire from the Vendor, the Purchased Assets, free and clear of all Encumbrances, other than the Permitted Encumbrances.

2.2 Purchase Price. The consideration for the Purchased Assets shall be the sum of \$20,000,000 (Twenty Million Dollars) (the "Purchase Price") payable as follows:

- (a) \$2,000,000 (Two Million Dollars) to be paid within one day of Court approval of this Agreement; and
- (b) \$2,000,000 (Two Million Dollars) to be paid within one day of written confirmation from the Vendor that the NFP APA has been terminated,

which amounts will be deposited and held in trust by the Vendor's solicitors in an interest-bearing trust account pending completion of the sale and purchase of the Purchased Assets or termination of this Agreement (these amounts, plus all interest thereon, are herein referred to as the "Deposit"); and

- (c) the balance of the Purchase Price will be paid on the Closing Date as set out in this Agreement.

2.3 Deposit. The Deposit will be: (i) credited to the Purchase Price and will be paid to the Vendor if the sale and purchase is completed in accordance with the terms hereof; (ii) paid to the Purchaser if any of the conditions precedent in Sections 6.1 or 6.2 are not satisfied or waived on or before the date specified therein and as a result the sale and purchase does not complete; (iii) paid to the Vendor if any of the conditions precedent in Section 6.3 are not satisfied or waived on or before the date specified therein and as a result the sale and purchase does not complete as liquidated damages (the Parties hereby agreeing that such amount constitutes a genuine pre-estimate of damages) as the Vendor's sole and exclusive remedy.

2.4 Payment. The Purchaser shall, on the Closing Date, pay the Purchase Price as follows:

- (a) by release of the Deposit to the Vendor; and
- (b) by payment to or to the order of the Vendor of the balance of the Purchase Price by bank draft, solicitor's trust cheque or wire transfer.

2.5 Allocation of Purchase Price. The Purchase Price shall be allocated by the Parties, acting reasonably, on or before the Closing Date.

3. CLOSING MATTERS

3.1 Closing. The Closing of the sale and purchase of the Purchased Assets shall, subject to the satisfaction or waiver of the conditions set out in Article 6, take place at the offices of the Vendor's solicitors, Fasken Martineau DuMoulin LLP, at 550 Burrard Street, Vancouver, British Columbia, Canada V7X 1T2 at the Time of Closing on or before September 15, 2008 (the "**Closing Date**") or at such other place, time and date as the Parties may agree, provided that if the Closing has not occurred on or before September 22, 2008 (the "**Termination Date**"), then either Party may terminate this Agreement as provided in Section 6.4(b).

3.2 Assignment by Purchaser. Prior to the Closing Date, the Purchaser may assign its rights under this Agreement to one or more Persons, provided that no such assignment will release the Purchaser from its obligations hereunder.

3.3 Transfer and Delivery of Purchased Assets. To the extent that the transfer of any of the Purchased Assets is not effected by the Court Order, on the Closing Date the Vendor shall execute and deliver to the Purchaser all such bills of sale, assignments, instruments of transfer, deeds, assurances, consents, and other documents, as shall be reasonably necessary or desirable to effectively transfer the Purchased Assets to the Purchaser and, subject to payment of the Purchase Price, on the Closing Date, the Purchased Assets shall vest in and be transferred to the Purchaser, and the Purchaser shall be entitled to possession of the Purchased Assets, free and clear of all Encumbrances, other than Permitted Encumbrances.

3.4 Assumed Obligations. On the terms and subject to the conditions herein contained, at the Time of Closing the Purchaser will assume and thereafter pay, perform, discharge and satisfy only those liabilities and obligations of the Vendor and/or the Companies related to the Purchased Assets as are set out in Exhibit D hereto (the "**Assumed Obligations**").

3.5 Excluded Liabilities. The Purchaser does not assume, and shall not be obligated in any manner with respect to, any liabilities or obligations of the Vendor or any of the Companies, except the Assumed Obligations or any other obligation specifically assumed by the Purchaser under this Agreement (collectively, the "**Excluded Liabilities**"). The Purchaser acknowledges that nothing in this Agreement in any way creates any obligations on the part of the Vendor *vis-à-vis* the Purchaser in relation to the Excluded Liabilities or in relation to any other matter with respect to which the Purchaser may

become liable to third parties as a matter of law outside of this Agreement, except where the Vendor has expressly assumed such liability under this Agreement.

- 3.6 Sales and Transfer Taxes. The Purchaser shall be responsible to pay when due any property transfer, sales, social service, goods and services and similar Taxes and any registration and transfer charges and fees payable in respect of the sale and transfer of the Purchased Assets. The Purchaser shall pay directly to the appropriate Governmental Authority all such Taxes, charges and fees payable by it in respect of the purchase and sale of the Purchased Assets under this Agreement, including if applicable the goods and services tax imposed under Part IX of the *Excise Tax Act* (Canada), payable by it in respect of the purchase and sale of the Purchased Assets under this Agreement and, upon the request of the Vendor, the Purchaser, when such Taxes have been paid, shall furnish to the Vendor proof of such payment. Where under the terms of any applicable legislation a vendor of assets such as the Purchased Assets is to collect any Taxes to be forwarded to the applicable Governmental Authority, the Purchaser will pay, if the Vendor so requests, the amount of such Taxes to the Vendor in an amount as determined by the Vendor and the Purchaser each acting reasonably, together with the payment of the Purchase Price and the Vendor shall provide a receipt respecting the payment of such Taxes by the Purchaser and shall, upon request of the Purchaser, furnish to the Purchaser proof that such Taxes have been forwarded to, or accounted for to, the applicable Governmental Authority.
- 3.7 Goods and Services Tax and Harmonized Sales Tax Election. Under this Agreement, with regard to GST; if such election is available as determined by the Vendor acting reasonably, the Purchaser and the Vendor shall jointly elect, under subsection 167(1) of Part IX of the *Excise Tax Act* (Canada) and any equivalent or corresponding provision under any applicable provincial legislation imposing a similar social service or sales tax, that no tax be payable with respect to the purchase and sale of the Purchased Assets under this Agreement. The Purchaser and the Vendor shall make such elections (if available as determined by the Vendor and the Purchaser each acting reasonably) in prescribed form containing prescribed information and the Purchaser shall file such elections in compliance with the requirements of the applicable legislation (the "**GST Election Form**").
- 3.8 Unassignable Leases, Licenses and Permits and Other Contracts. Neither this Agreement nor any document delivered hereunder shall constitute an assignment of any rights, benefits or remedies under any of the Leases, Licences and Permits or Other Contracts that are not assignable by the Vendor or the Companies to the Purchaser without the consent of the Governmental Authority or other lessor or third party that is a party to the applicable Lease or Other Contract or that issued the Licence and Permit. The Purchaser acknowledges that it is not a condition of the Purchaser's obligation to complete the purchase of the Purchased Assets as provided in this Agreement if any such consent is not obtained prior to the Time of Closing, and to the extent any such consent is not obtained prior to the Time of Closing:
- (a) the Vendor will at the request and direction of the Purchaser, promptly assist the Purchaser in applying for and use all commercially reasonable efforts to obtain all

consents or approvals contemplated by those Leases, Licences and Permits and Other Contracts, in a form satisfactory to the Vendor and the Purchaser, acting reasonably, provided that nothing in this Section shall require the Vendor to discharge any obligation to, or assume any obligations to, any such Governmental Authority, lessor or third party; and

- (b) the Vendor will use all reasonable commercial efforts to take such actions and do such things as may be reasonably and lawfully designed to provide the benefits of those non-assignable Leases, Licences and Permits and Other Contracts to the Purchaser, including without limitation, holding those Leases and Licences and Permits in trust for the benefit of the Purchaser or acting as agent for the Purchaser,

provided that the Purchaser will indemnify the Vendor against all liabilities, costs and expenses incurred by the Vendor arising out of the Vendor's performance of such obligations set forth in this Section 3.8, except for liabilities, costs and expenses incurred as a result of the Vendor's gross negligence or wilful misconduct.

The obligations of the Vendor under this Section 3.8 shall continue for 30 days after the Closing Date, but not beyond.

3.9 Adjustments. There shall be no adjustments with respect to the transactions that are the subject matter of this Agreement other than:

- (a) property Taxes with respect to the Lands;
- (b) rental and similar type monetary obligations in relation to the Licenses and Permits which, if unpaid, would result in a lawful cancellation of the applicable License and Permit, and, for greater certainty, the Vendor and the Purchaser agree that there shall be no adjustments with respect to the Leases and Other Contracts; and
- (c) such items the payment of which is secured by a lien, charge or encumbrance against the Purchased Assets that is not a Permitted Encumbrance and which are not cleared from the Purchased Assets by the Court Order.

4. REPRESENTATIONS AND WARRANTIES

4.1 The Vendor. The Vendor hereby makes the representations and warranties set out in Exhibit A hereto to the Purchaser, recognizing that the Purchaser is relying on such representations and warranties in entering into the transactions contemplated by this Agreement. All due diligence searches, investigations or inspections by the Purchaser up to the date hereof and up to the Closing Date are without prejudice to the Purchaser's right to rely upon such representations and warranties of the Vendor.

4.2 The Purchaser. The Purchaser hereby makes the representations and warranties set out in Exhibit B hereto to the Vendor, recognizing that the Vendor is relying on such representations and warranties in entering into the transactions contemplated by this

Agreement. All due diligence searches and investigations by the Vendor up to the date hereof and up to the Closing Date are without prejudice to the Vendor's right to rely upon such representations and warranties of the Purchaser.

- 4.3 Non-Survival. The representations and warranties made by each of the Vendor and the Purchaser in this Agreement shall terminate at the Closing, or upon termination of this Agreement pursuant to Section 6.4(b), and following the Closing or the termination of this Agreement, as the case may be, the representations and warranties shall cease to be of any force or effect and neither Party shall have any further liability to the other Party with respect to such representations and warranties.
- 4.4 Purchaser's Acknowledgement. Except for the representations and warranties set out in Exhibit A hereto, the Vendor expressly disclaims any and all representations and warranties and the Purchaser acknowledges that the Purchased Assets will be sold on an "as is, where is" basis and save as aforesaid the Vendor makes no representations or warranties, and there are no representations or warranties or terms or conditions whatsoever, whether expressed, implied, statutory or otherwise, with respect to the Purchased Assets, including without limitation, any representations, warranties, terms or conditions with respect to their merchantability, fitness for any particular purpose or quality or any other matters whatsoever in any way related to the subject matter of the transactions subject to this Agreement.
- 4.5 Acknowledgement and Release Regarding Environmental Condition of Purchased Assets. Without limitation to the generality of Section 4.4 or any other terms of this Agreement, the Purchaser:
- (a) agrees that it is purchasing the Purchased Assets pursuant to this Agreement on an "as is where is" basis without any representations, warranties or responsibility from or on behalf of the Vendor as to any matter concerning the state of the Purchased Assets, including any environmental condition of or with respect to the Lands or as to any effect or impact that the Purchased Assets or any Contaminants associated with the Purchased Assets may have on neighbouring lands or areas;
 - (b) hereby remises, releases and forever discharges the Vendor and its affiliates, directors, officers, agents, employees and shareholders (in this Section collectively called the "**Releasees**") of and from any and all liability, claim, demand, obligation, cause of action, remediation, cost recovery action, investigation, proceeding, order, violation, damage, loss, cost, expense, judgment, penalty, or fine asserted by any party (including, without limitation, any private party or Governmental Authority) arising out of or relating to Environmental Laws or Environmental Liabilities, including without limitation, any cost of managing, removing, remediating or disposing of any Contaminants, as well as any liability, cost or expense whatsoever relating to any enforcement actions, orders, cost recovery actions or remedial actions related to any Environmental Liabilities or Contaminants, howsoever caused and whether arising out of the negligence, gross negligence or misconduct of any of the Releasees, and the

Purchaser hereby waives any and all such rights that the Purchaser now has or will have as against the Releasees or any of them; and

- (c) waives all requirement for the Vendor to provide any Site Profiles (as that term is defined in the *Environmental Management Act* (British Columbia) for the Lands.

Without limitation to any other provision of this Agreement, the provisions of this Section 4.5 shall not merge on, but shall survive, the Closing.

4.6 Further Acknowledgements of Purchaser. Without limiting the generality of the foregoing, it is acknowledged and agreed by the Purchaser that:

- (a) the Vendor makes no representation whatsoever with respect to any employer issues or any other issues or matters which would be the subject of any of the provisions of the *Labour Relations Code* (British Columbia) or the *Employment Standards Act* (British Columbia) or of any comparable legislation or law;
- (b) the Vendor makes no representation whatsoever with respect to any rights of any employees at any time employed by any of the Companies, or at any time employed by the Vendor;
- (c) to the extent that any goods or assets which are situate at or about the Lands after Closing are not part of the Purchased Assets, the Vendor has no obligation to remove or in any way take any steps with respect to such goods or assets;
- (d) to the extent that any information which the Vendor has provided or may provide to the Purchaser is based on any of the records of the Companies, the Vendor makes no representation whatsoever with respect to the accuracy of any such information; and
- (e) Exhibits C, D, H and I are for information purposes only, and have been prepared based on the information from the records of the Company which the Vendor has in its possession or from agreements previously entered into by the Company with third parties. The Vendor has not had the opportunity to review all the records it has in its possession and provides no assurance that the available records are accurate or complete and the Vendor has not verified any of the information and provides no assurance that any information related to the Company or any of its assets, including the Purchased Assets, or liabilities and obligations is correct, accurate or complete. The information is provided on such basis and there is no representation by the Vendor as to the status or existence of any of the matters described in those Exhibits or as to the correctness, accuracy or completeness of such matters. The Purchaser must not rely on those schedules for any decision making and must satisfy itself independently with respect to any matter related to the Company or the Purchased Assets or any obligations to which it may become subject. Without limitation to the foregoing, there is no representation from the Vendor that:

- (i) the Lands described in Part 1 of Exhibit C are all of the Lands and property related interests relating to the Business;
- (ii) the Assumed Obligations referenced in Exhibit D are the only obligations to which the Purchaser may become subject as a result of purchasing the Purchased Assets;
- (iii) any of the Leases, the Licenses and Permits and the Other Contracts referenced in Exhibits C and H are in good standing or in effect; or
- (iv) any of the trademarks referenced in Exhibit I are in good standing or in effect.

5. COVENANTS

5.1 Access and Information. The Purchaser confirms that it has been, either through dealings with the Vendor or through previous dealings involving the Companies, given adequate:

- (a) access to the Purchased Assets, any Books and Records, Licenses and Permits, title documents, plans, reports and all other material documents and information and data relating to the Purchased Assets;
- (b) all information and reports related to any Environmental Liabilities as the Purchaser considers necessary; and
- (c) all information relating to any persons who at any time in the past may have been an employee of any of the Companies.

5.2 Covenants of the Vendor Until Closing. Except as otherwise consented to in writing by the Purchaser, from the date of this Agreement until the Closing Time, the Vendor shall:

- (a) promptly advise the Purchaser of any Material Loss to the Purchased Assets upon actually becoming aware of such Material Loss;
- (b) promptly advise the Purchaser of any event occurring after the date of this Agreement of which the Vendor becomes actually aware that would render any representation or warranty of the Vendor untrue in any material respect if made on and as of the Closing Date or would result in a material breach by the Vendor of its obligations under this Agreement;
- (c) maintain the existing security at the Lands until the completion of the Closing, the Purchaser acknowledging that the Vendor has made no representation as to the adequacy of such security; and
- (d) maintain the Mill in the condition and mode that it is in as at the date of execution of this Agreement provided that the Vendor may during such time take such steps as, in the Vendor's sole opinion, minimize the ongoing costs of maintaining the Mill.

5.3 Negative Covenants of the Vendor. Except as contemplated by this Agreement, or otherwise consented to in writing by the Purchaser, the Vendor covenants not to do or permit to be done any of the following actions, from the date of this Agreement (or such later date as may be specified) and while this Agreement is in effect until the Closing Time:

- (a) except as otherwise provided in Section 10.1 hereof, to sell, transfer or otherwise dispose of, or agree to sell, transfer, pledge, lease, encumber or otherwise dispose of, any Purchased Assets, or enter into any agreement or transaction which would result in the creation of any Encumbrance on any of the Purchased Assets, other than Permitted Encumbrances or Encumbrances which will be discharged by the Court Order;
- (b) from the date of the Court Order, take any action that would interfere with the completion of the transactions contemplated under this Agreement in accordance with the terms of this Agreement or would render, or that reasonably may be expected to render, any representation or warranty made by the Vendor in this Agreement untrue or incorrect in any material respect at any time prior to the Time of Closing if made at that time; or
- (c) relinquish any currently existing material contractual rights or any other rights with respect to any Licences and Permits, provided that any termination of such rights on the basis of the Vendor's refusal to discharge or assume any obligation shall not be a breach of this term of this Agreement.

5.4 Efforts to Obtain Governmental Consents or Approvals. The Purchaser shall take, or cause to be taken, and the Vendor shall as specifically requested by the Purchaser take or cause to be taken, all commercially reasonable actions and do, or cause to be done, all commercially reasonable things and promptly execute and file, or join in the execution and filing of, any application or other document as the Purchaser may reasonably request and as may be necessary, proper or advisable to permit and diligently pursue the completion of the transactions contemplated by this Agreement in accordance with the terms hereof, including obtaining the authorization, approval or consent of any Governmental Authority, lessor or other contracting party, and shall co-operate with each other in connection therewith, including using all commercially reasonable efforts to obtain as soon as reasonably possible, and in any event prior to the Closing Date:

- (a) the Consents;
- (b) if applicable, the re-issuance effective on and after the Closing Date in the name of the Purchaser of new rights in replacement of any of the Licenses and Permits which cannot, or because of the practice of the applicable Governmental Authority will not, be transferred to the Purchaser by way of assignment; and
- (c) all necessary waivers, consents and approvals or releases from the other parties to the Leases, the Licenses and Permits and the Other Contracts.

The Purchaser acknowledges that as between the Purchaser and the Vendor, it is the Purchaser's responsibility to obtain the necessary Consents, and that the Vendor will not be, unless the Vendor otherwise agrees, required to discharge or assume any obligations as a condition of obtaining any Consents or as a condition of the transfer or assignment of any of the Purchased Assets being effective or as a condition of the Purchaser not being liable to any Person after the assignment or transfer of any of the Purchased Assets to discharge or assume any obligation related to the Purchased Assets or any of them.

- 5.5 Court Approval. The Vendor will use all commercially reasonable efforts to obtain the Court Order as soon as reasonably practicable (subject to the availability of the presiding Judge in the Court Action), and the Vendor will obtain the consent of the Purchaser, who covenants to act reasonably in that regard, to any changes to the Court Order requested by the Court prior to the granting of the Court Order.
- 5.6 Disclosure of Information. In the course of the Purchaser's due diligence in respect of the Purchased Assets, the Purchaser may request and the Vendor may disclose certain personnel records and other information related to Purchased Assets and/or the Business that may include "personal information" (the "**Personal Information**") as defined in and subject to the British Columbia *Personal Information Protection Act* ("**PIPA**"). For the purposes of Section 20 of PIPA:
- (a) the Purchaser hereby confirms to the Vendor that the Personal Information that the Purchaser may hereafter request in the course of its due diligence is necessary in order for the Purchaser to determine whether to proceed with the proposed purchase of the Purchased Assets; and
 - (b) the Purchaser hereby covenants and agrees that:
 - (i) prior to Closing, any Personal Information that the Vendor discloses to the Purchaser shall be used by the Purchaser solely for purposes related to its due diligence and its proposed purchase of the Purchased Assets, and the Purchaser shall not disclose or otherwise make available any of the Personal Information to any Person except employees, directors, officers and professional advisors of the Purchaser with a need to know for the purposes of such due diligence and proposed purchase;
 - (ii) if the proposed purchase of the Purchased Assets does not proceed or is not completed, the Purchaser will destroy or return to the Vendor all of the Personal Information disclosed to the Purchaser by the Vendor in accordance with the Vendor's instructions and/or pursuant to the Confidentiality Agreement; and
 - (iii) if the proposed purchase of the Purchased Assets is completed: (i) the Purchaser shall only use or disclose the Personal Information for the same purposes for which it was collected, used or disclosed by the Vendor, or as otherwise permitted by and in accordance with PIPA; and (ii) the Purchaser shall notify the individuals who are the subject of the Personal

Information that the purchase of the Purchased Assets has taken place and that their Personal Information was disclosed to the Purchaser.

6. CONDITIONS PRECEDENT AND CONDITIONS OF CLOSING

6.1 **Mutual Conditions.** The obligation of the Vendor to complete the sale of the Purchased Assets contemplated by this Agreement and of the Purchaser to complete the purchase of the Purchased Assets as contemplated by this Agreement is subject to the satisfaction of each of the following conditions by the dates set forth below, and if no dates are set forth then by or as at the Closing Date:

- (a) *No Violations of Laws.* No Applicable Law will be in force, and no action will have been taken under any Applicable Law or by any Governmental Authority, and no Order will be in effect that: (a) makes it illegal or otherwise, directly or indirectly, restrains, enjoins or prohibits the completion of the transactions contemplated by this Agreement; (b) results in an Order or assessment of damages, directly or indirectly, relating to the transactions contemplated by this Agreement that would have a Material Adverse Effect on the Purchased Assets; or (c) would impose any condition or restriction that, after giving effect to the transactions contemplated by this Agreement, would have a Material Adverse Effect on the Purchased Assets; and
- (b) *Court Order.* The Vendor shall have obtained the Court Order by a date no later than one Business Day after the date of the application for the same in accordance with Section 5.5.
- (c) *Termination of NFP APA.* The NFP APA shall have been terminated by no later than August 30, 2008.

The foregoing conditions are inserted for the mutual benefit of the Vendor and the Purchaser and may be waived in whole or in part only if jointly waived in writing by the Vendor and the Purchaser, at or prior to the applicable time set for the satisfaction of such conditions and if they are not satisfied or waived at or prior to the applicable times, then this Agreement shall at such time cease to be of any force or effect and the Deposit shall be returned to the Purchaser.

6.2 **Conditions for the Benefit of the Purchaser.** The obligation of the Purchaser to complete the purchase of the Purchased Assets at the Closing as contemplated by this Agreement is subject to the satisfaction of each of the following conditions by the dates set forth below, or if no date is set forth then by the time of Closing:

- (a) *Representations and Warranties.* Each of the representations and warranties of the Vendor contained in this Agreement shall be true and correct in all material respects at the date hereof and at the Time of Closing (unless such representation and warranty is already subject to a materiality qualification, in which case it shall be true and correct in all respects at the date hereof and at the Time of Closing) as if made at and as of each such date and time;

- (b) *Covenants*. Each of the covenants and agreements of the Vendor to be performed prior to or at the Time of Closing shall have been duly performed in all material respects; and
- (c) *Material Loss*. There shall have been no Material Loss since the date of this Agreement, unless such Material Loss was a result of any Pre-Closing Activity.

The foregoing conditions are for the exclusive benefit of the Purchaser and may be waived, in writing, by the Purchaser, in whole or in part, at or prior to the applicable time for satisfaction of such conditions, and if they are not satisfied or waived at or prior to the applicable times, then this Agreement shall at such time cease to be of any force or effect and the Deposit shall be returned to the Purchaser.

6.3 Conditions for the Benefit of the Vendor. The obligation of the Vendor to complete the sale of the Purchased Assets at the Closing as contemplated by this Agreement is subject to the satisfaction of each of the following conditions:

- (a) *Representations and Warranties*. Each of the representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects at the date hereof and at the Time of Closing (unless such representation and warranty is already subject to a materiality qualification, in which case it shall be true and correct in all respects at the date hereof and at the Time of Closing) as if made at and as of each such date and time; and
- (b) *Covenants*. Each of the covenants and agreements of the Purchaser to be performed prior to or at the Time of Closing shall have been duly performed in all material respects.

The foregoing conditions are for the exclusive benefit of the Vendor and may be waived, in writing, by the Vendor, in whole or in part, at or prior to the applicable time set for the satisfaction of such conditions and if they are not satisfied or waived at or prior to the applicable times, then this Agreement shall at such time cease to be of any force or effect and the Deposit shall be released to the Vendor.

6.4 Termination. This Agreement may be terminated by notice given prior to or at the Closing as follows:

- (a) by mutual written agreement of the Parties;
- (b) by either Party if entitled to do so in accordance with Section 3.1;
- (c) by the Purchaser by notice in writing to the Vendor if the Vendor shall have failed to comply in any material respect with any of its obligations under this Agreement (other than those to be performed on the Closing Date) for a period of seven Business Days (or a lesser period specified by the Purchaser if the Closing Date is to occur within seven Business Days after the giving of such notice) after the Purchaser shall have notified the Vendor of such failure to comply in writing;

- (d) by the Vendor by notice in writing to the Purchaser if the Purchaser shall have failed to comply in any material respect with any of its obligations under this Agreement (other than those to be performed on the Closing Date) for a period of seven Business Days (or a lesser period specified by the Vendor if the Closing Date is to occur within seven Business Days after the giving of such notice) after the Vendor shall have notified the Purchaser of such failure to comply in writing;
- (e) by the Purchaser by notice in writing to the Vendor if any condition in Sections 6.1 and 6.2 has not been satisfied by the Closing Date or other applicable date specified therein and the Purchaser has not waived such condition on or before such date; or
- (f) by the Vendor by notice in writing to the Purchaser if any condition in Sections 6.1 and 6.3 has not been satisfied by the Closing Date or other applicable date specified therein and the Vendor has not waived such condition on or before such date.

7. CLOSING MATTERS

7.1 Vendor's Closing Documents: On the Closing Date, the Vendor will deliver the following to the Purchaser's solicitor, on the condition that the same will only be dealt with in accordance with the procedure set out in section 7.3:

- (a) a court certified copy of the Court Order;
- (b) letters from legal counsel of the Vendor to the Registrar of Titles of the appropriate British Columbia land title offices and to the Purchaser, each as provided for in the Court Order;
- (c) a certificate of the Vendor dated the Closing Date certifying that the Vendor's representations and warranties in this Agreement are true and correct in all material respects as of the Closing (unless such representation and warranty is already subject to a materiality qualification, in which case certifying that it is true and correct in all respects) and the covenants of the Vendor to be performed by the Closing have been performed in all material respects;
- (d) the GST Election Form (if that election is available as determined by the Vendor acting reasonably) signed by the Vendor;
- (e) all deeds, documents of title, conveyances, bills of sale, transfers, assignments, and indentures and other documents necessary or desirable in the Vendor's opinion, acting reasonably, to effect the assignment, transfer and sale of the Purchased Assets as contemplated by this Agreement to the extent not effected by the Court Order, in form and substance satisfactory to the Purchaser, acting reasonably; and
- (f) such other documents as may be requested by the Purchaser, acting reasonably, including, without limitation, the Other Transaction Documents.

7.2 The Purchaser's Closing Documents. On the Closing Date, the Purchaser will deliver the following to the Vendor's solicitor, on the condition that the same will only be dealt with in accordance with the procedure set out in section 7.3:

- (a) an irrevocable direction from the Purchaser directing the Vendor's solicitor to pay the Deposit to or as directed by the Vendor;
- (b) payment of the balance of the Purchase Price pursuant to Section 2.4, together with any Taxes to be remitted to the Vendor as contemplated by Section 3.6;
- (c) an assumption agreement providing for the assumption by the Purchaser of the Assumed Obligations, duly signed by the Purchaser;
- (d) a certificate of the Purchaser dated the Closing Date certifying that the Purchaser's representations and warranties in this Agreement are true and correct in all material respects as of the Closing (unless such representation and warranty is already subject to a materiality qualification, in which case certifying that it is true and correct in all respects) and the covenants of the Purchaser to be performed by the Closing have been performed in all material respects;
- (e) the GST Election Form, if applicable, as countersigned by the Purchaser;
- (f) evidence of the receipt of those Consents obtained by the Purchaser prior to the Closing;
- (g) a certified copy of resolutions of the directors of the Purchaser authorizing the purchase of the Purchased Assets as contemplated by this Agreement and the execution and delivery of this Agreement and all documents required to be executed by the Purchaser pursuant hereto; and
- (h) such other documents as may be requested by the Vendor, acting reasonably.

7.3 Terms of Closing. All of the documents and monies will be dealt with as follows, with the Vendor's solicitors and the Purchaser's solicitors extending undertakings to each other to deal with such documents and monies only in accordance with the following, and if circumstances come about which do not permit dealing with such monies in accordance with the following then only in accordance with the mutual agreement between the Vendor and the Purchaser or an order of the Court in the Court Action:

- (a) except for the certified copy of the Court Order and the letter authorizing its registration (as referenced in sections 7.1(a) and 7.1(b), none of the documents and monies will be dealt with until the deliveries contemplated by this Article 7 have been made and the conditions set out in Article 6 have been fulfilled or waived;
- (b) the Purchaser's solicitors will as soon as reasonably possible cause the Court Order transferring the Lands to the Purchaser to be deposited for registration in the appropriate Land Title Offices, together with all ancillary documents and

payments required for the registration of the Court Order to be processed by that Land Title Office;

- (c) the Purchaser's solicitors will conduct the required land title office post application searches, and will communicate the results of those searches to the Vendor's solicitors, as soon as reasonably possible;
- (d) upon receipt by the Vendor's or the Purchaser's solicitors of post-application searches which indicate that in the normal course of Land Title Office routine title to the Lands will be issued to the Purchaser subject only to the Permitted Encumbrances:
 - (i) all remaining documents referenced in section 7.1 will be released to the Purchaser; and
 - (ii) all documents and monies referenced in section 7.2 will be released to the Vendor.

8. RISK OF LOSS

- 8.1 Risk of Loss. Until the Time of Closing, the Purchased Assets will be and remain at the sole risk of the Vendor.
- 8.2 Pre-Closing Loss. Subject to Section 8.3, if prior to the Closing Date any of the Purchased Assets are destroyed or damaged by fire or any other casualty or shall be expropriated or seized by any Governmental Authority, the Purchase Price shall not be affected by such destruction or damage and the compensation for such expropriation or seizure or insurance proceeds in respect thereof, as the case may be, paid or payable to the Vendor, or the right to receive such compensation or proceeds, shall be deemed to be included in the Purchased Assets and delivered to the Purchaser on Closing without any adjustment to the Purchase Price except that, to the extent any such insurance proceeds have been reduced by the application of a deductible amount under any applicable policy of insurance (the "**Deductible**"), the Purchase Price shall be reduced by the amount of the Deductible and, except as provided in Section 8.3, the Purchaser shall accept such compensation, or the right to recover the same, in replacement for the Purchased Assets so expropriated or seized.
- 8.3 Material Loss. Notwithstanding any other provision of this Agreement, including without limitation Section 8.2, if prior to the Time of Closing, there occurs a Material Loss, then the Purchaser shall in its sole election be entitled to terminate this Agreement pursuant to Section 6.4.

9. POST-CLOSING MATTERS

- 9.1 Possession Following Time of Closing. The Purchaser will be entitled to take possession of and enjoy the Purchased Assets after the payment of the Purchase Price to the exclusion of the Vendor and the Companies and the Purchased Assets will be at the risk of the Purchaser from and after the Time of Closing.

10. MISCELLANEOUS

- 10.1 Other Dealings and Court Approval. The Purchaser acknowledges that this Agreement and the carrying out of the transactions that are the subject of this Agreement are subject to Court approval. The Vendor hereby advises the Purchaser that the Vendor shall, as set forth herein, present this Agreement, either by itself or together with other agreements relating to the Purchased Assets or some of them, to the Court on notice to the parties which are participating in the Court Action. The Purchaser acknowledges having been advised by the Vendor to arrange for its own representation at any court application to approve this Agreement, it being acknowledged that the Purchaser's ability to make representations at such application is subject to orders of the Court. The Purchaser further acknowledges and agrees that, after the date of this Agreement and continuing after the date of the Court Order, the Vendor may negotiate with other persons regarding the possible disposition of all or a part of the Purchased Assets in the event that the transactions contemplated by this Agreement do not complete in accordance with the terms of this Agreement and/or this Agreement is terminated pursuant to its terms, and in connection therewith the Vendor may enter into a "backup" agreement or agreements with third parties regarding such disposition. The Vendor acknowledges and agrees that such negotiations will be carried out and such agreements entered into solely on the basis that any offers made by other persons are only acceptable in the event that the transactions contemplated by this Agreement do not complete in accordance with the terms of this Agreement and/or this Agreement is terminated pursuant to its terms. In the event the Vendor receives offers from third parties to enter into agreements respecting the acquisition of the Purchased Assets that the Vendor reasonably considers will provide a better overall recovery for creditors of the Companies, the Vendor will not, in such event, be required to advocate the acceptance of this Agreement before the Court.
- 10.2 Acknowledgement Regarding PwC. The Purchaser acknowledges that PricewaterhouseCoopers Inc. is acting only in its representative capacity as a receiver appointed in the Court Action and that PricewaterhouseCoopers Inc. shall have no liability under or as a result of entering into this Agreement or carrying out the transaction subject of this Agreement as the Vendor except in such capacity and without limitation to the generality of the foregoing PricewaterhouseCoopers Inc. shall have no liability under or as a result of entering into or carrying out of the transactions subject to this Agreement in its personal capacity.
- 10.3 Amendment and Modification; Waiver. This Agreement may only be amended or modified in writing, signed by all of the Parties. No waiver in writing of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.
- 10.4 Expenses. Except as otherwise expressly provided in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, the Parties shall bear their own respective expenses (including, but not limited to, all compensation and expenses of counsel, consultants and accountants) incurred in connection with this Agreement and the transactions contemplated hereby.

- 10.5 Public Disclosure. Except as may be required to comply with the requirements of Applicable Law, no press release or similar public announcement or communication will be made or caused to be made concerning the execution, performance, terms and conditions of this Agreement unless specifically approved in advance by all Parties; provided, however, that to the extent that any Party to this Agreement is required by law, to make such a public disclosure, such public disclosure shall only be made after prior consultation with the other Parties to this Agreement. The Purchaser agrees that this paragraph has no application with respect to any disclosure which the Vendor, acting reasonably, considers is required in relation to the application for the Court Order or in relation to carrying out its role as the Receiver appointed in the Court Action.
- 10.6 Assignment. Subject to Section 3.2 and the following sentence, no Party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written consent of the other Parties hereto. The Purchaser may assign its rights under this Agreement with respect to the Lands to any Affiliate(s) of the Purchaser prior to the application for the Court Order and may assign its rights under this Agreement with respect to the other Purchased Assets upon three days prior written notice to the Vendor, provided that no assignment will release the Purchaser from its obligations under this Agreement.
- 10.7 Entire Agreement. This Agreement (including without limitation, the agreements and documents in writing contemplated to be delivered hereunder or herewith as of the date of this Agreement) contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.
- 10.8 Parties in Interest. This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns and, to the extent third parties are named as beneficiaries of a release, indemnity or other covenant hereunder or under any document or instrument delivered pursuant hereto, such third parties shall be entitled to enforce such provisions even though they are not a party hereto and any Party hereto may, with the consent of such third party, enforce such provisions on their behalf. Except as expressly provided in this Section, no third parties shall be beneficiaries of or have any interest in this Agreement.
- 10.9 Further Assurances. Prior to, on and following the Closing Date, each of the Parties agrees that it shall act in good faith with respect to the satisfaction of its obligations under this Agreement, and, at the reasonable request of the other Party, shall, at its own (unless otherwise provided in this Agreement) expense, take such actions and do such things and, as the case may be, execute and deliver or furnish such additional agreements, documents and instruments as may, from time to time, be necessary or reasonably desirable to better effectuate the transactions contemplated by this Agreement.
- 10.10 Counterparts. This Agreement and any amendments hereto may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be considered one and the same agreement. A signed facsimile or telecopied copy of this Agreement shall be effectual and valid proof of execution and delivery.

10.11 Performance on Holidays. If any action is required to be taken pursuant to this Agreement on or by a specified date which is not a Business Day, then such action shall be valid if taken on or by the next succeeding Business Day.

10.12 Notices. All notices hereunder shall be deemed given if in writing and delivered personally or sent by facsimile or by registered or certified mail (return receipt requested), but not by email, to the Parties at the following addresses (or at such other addresses as shall be specified by like notice):

(a) if to the Purchaser, to:

830274 B.C. Ltd.
Attention: Brian Senini
Fax: (250) 754-8080

(b) if to the Vendor, to:

PricewaterhouseCoopers Inc., Receiver
Attention: Michael Vermette/Michael Armstrong
Fax: (604) 806-7806

With a copy to:


Fasken Martineau DuMoulin LLP
Attention: John Grieve/Kibben Jackson
Fax: (604) 631-3232

Any notice given by mail shall be effective, if mailed at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, on the fourth Business Day after the post-marked date thereof. Any notice given by facsimile shall be effective on the Business Day following the sending. Any notice delivered personally shall be effective at the time it is delivered to the applicable address noted above either to the individual designated above or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices and communications shall be delivered personally or by facsimile only.

10.13 Governing Law and Court jurisdiction. This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein, the parties attorn to the exclusive jurisdiction of the Supreme Court of British Columbia of that Province in relation to any matter relating to this Agreement.

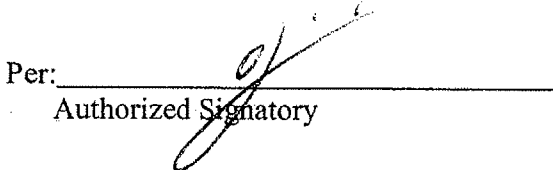
IN WITNESS WHEREOF, this Agreement has been signed on behalf of each of the Parties as of the date first written above.

**PRICEWATERHOUSECOOPERS INC.,
in its capacity as the receiver appointed in
the Court Action, by its authorized
signatory:**


Per: _____
Authorized Signatory

: CRAIG BUSWELL SUP
Print name and title of Authorized
Signatory

830274 B.C. Ltd.
by its authorized signatory:


Per: _____
Authorized Signatory

: BRIAN SENINI - DIRECTOR
Print name and title of Authorized
Signatory

EXHIBIT A

Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser as follows:

1. **Status and Authorization.** The Vendor has all necessary corporate power, capacity and authority, and the power, capacity and authority as the Receiver, to enter into this Agreement and, subject to the granting of the Court Order and obtaining of the Consents, to execute and deliver, all other agreements, documents and instruments to be delivered by it hereunder (collectively, the "**Other Transaction Documents**"), and to sell, assign and transfer the Purchased Assets to the Purchaser as set forth in this Agreement and to perform the transactions contemplated by this Agreement and to execute and deliver the Other Transaction Documents.

EXHIBIT B
Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor as follows:

1. Status. The Purchaser is a corporation duly organized and validly subsisting in good standing under the laws of its jurisdiction of organization and has all necessary corporate power, capacity and authority to own its property and assets, to carry on its business as now conducted, to enter into this Agreement and all other agreements, documents and instruments to be delivered by the Purchaser hereunder and to perform the transactions contemplated by this Agreement.
2. Due Authorization. This Agreement and all other agreements, documents and instruments required to be delivered by the Purchaser hereunder, have been duly authorized and this Agreement has been, and all such other agreements, documents and instruments will be duly executed and delivered by the Purchaser and constitute and will constitute legal, valid and binding obligations of the Purchaser, enforceable in accordance with their terms, subject to general equity principles and the granting of the Court Order and the obtaining of the Consents. No other proceedings on the part of the Purchaser, any shareholders, or any creditor of the Purchaser are necessary to authorize the entering into of this Agreement and the consummation of the transactions contemplated hereby by the Purchaser.
3. Absence of Legal Conflict. Neither the execution and delivery of this Agreement by the Purchaser, nor the performance of this Agreement by the Purchaser and the consummation by the Purchaser of the transactions contemplated by this Agreement will:
 - (a) conflict with or violate the constating documents of the Purchaser or any resolution of either of its directors or shareholders;
 - (b) to the best of the Purchaser's knowledge, without having made any investigation, conflict with or violate any law, rule, regulation, permit, Order, judgment or decree applicable to the Purchaser or by which its properties are bound or affected, the conflict with which or violation of which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement; or
 - (c) to the best of the Purchaser's knowledge, without having made any investigation, result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under any agreement to which the Purchaser is a party or by which the Purchaser or any of its properties is bound or affected and which would prohibit or materially delay the Purchaser's ability to perform its obligations under this Agreement.

4. The Purchaser is registered for goods and services tax under the *Excise Tax Act* (Canada), and its registration number is 855291498RT0001.

EXHIBIT C

THE PURCHASER IS REFERRED TO SECTION 4.6(e) OF THE AGREEMENT

Part 1 – Harmac Mill Lands

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
1.	008-627-100	That Part of Section 22, Range 1, Cedar District, outlined in Red on Plan 1499R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
2.	023-922-877	Lot 1 Section 1 Range 8 Nanaimo District and Section 21 Range 1 Cedar District Plan VIP65621	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
3.	023-922-893	Lot 3 of Sections 21, 22 and 23 Range 1 and Sections 21, 22 and 23 Range 2 Cedar District and District Lot 137 and 385 Nanaimo District Plan VIP65621	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
4.	003-926-516	West 60 acres of Section 22, Range 1, Cedar District Except that part shown outlined in Red on Plan 1499R and Except part in Plan VIP74868	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
5.	003-924-424	The East ½ of Section 2, Range 8, Nanaimo District, Except Plans 32333, 37427 and VIP74868	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
6.	009-779-159	Section 3, Range 8, Nanaimo District, Except those parts in Plans 16106 and 32333	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
7.	009-779-442	Section 4, Range 8, Nanaimo District, Except Parcel A (DD 35951I) and Except those parts in Plans 16106 and 17640	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
8.	008-747-695	Section 20, Range 2, Cedar District	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
9.	000-102-946	Lot 3, Sections 3 & 4, Range 8 and District Lot 137, Nanaimo District, Plan 32333	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
10.	009-045-872	District Lot 17, Dunsmuir District containing 557.8 Acres, more or less	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
11.	008-475-431	That part of Block 68, Dunsmuir District, Plan 789, shown outlined in red on Plan 1580R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
12.	006-007-805	Section 13, Range, 1, Cedar District, except Parcel A (DD 6974N), and except Parcel B (DD 71270N), and except that part lying to the South and East of Plan 7914, and except those parts in Plans 573 RW, 1997 RW, 1572-R, 7914, 8955, 15443 and 23683	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
13.	004-226-216	That Part of Lot 4 Section 11 Range 1 Cedar District Plan 15311 shown outlined in red on Plan 1997 R.W.	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
14.	004-226-224	That Part of Lot 3 Section 11 Range 1 Cedar District Plan 15311 shown outlined in red on Plan 1997 R.W.	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
15.	008-758-786	That Part of Section 12 Range 1 Cedar District outlined in red on Plan 1997 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
16.	008-752-133	That Part of Section 11 Range 1 Cedar District outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
17.	008-754-144	That Part of Section 7 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
18.	008-754-187	That Part of Section 8 Range 1 Cedar District outlined in red on	1000 Wave Place,	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		Plan 573 RW	Nanaimo, B.C.	
19.	008-758-174	That Part of Section 11 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
20.	008-759-243	That Part of Parcel A (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 1523R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
21.	008-759-251	That Part of Parcel B (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 1523R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
22.	008-759-359	That Part of Parcel A (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
23.	008-759-367	That Part of Parcel B (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
24.	008-751-846	That Part of Section 9 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
25.	006-285-601	That Part of Lot 3 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
26.	006-285-651	That Part of Lot 5 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
27.	006-285-619	That Part of Lot 4 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
28.	006-285-694	That Part of Lot 6 Section 16 Range 1 Cedar District Plan 3119 shown outlined in red on Plan	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		573 RW		
29.	006-285-627	That Part of Lot 3 Section 17 Range 1 Cedar District Plan 3119 included in Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
30.	006-285-635	That Part of Lot 4 Section 17 Range 1 Cedar District Plan 3119 included in Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
31.	008-751-919	That Part of Section 10 Range 1 Cedar District containing 1.44 acres more or less and shown outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
32.	008-751-811	That Part of Section 12 Range 1 Cedar District outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
33.	008-753-806	That Part of Section 10 Range 1 Cedar District coloured red on Plan Deposited in DD 20845F included within the area shown outlined in red on Plan 573RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
34.	008-758-212	That Part of Section 10 Range 1 Cedar District containing 1.56 acres more or less and shown outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
35.	008-758-042	That Part of Parcel C (DD 6974N) of Section 15 Range 1 Cedar District coloured red on Plan 1227R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
36.	008-754-012	That Part of Section 14 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
37.	008-754-128	That Part of Section 13 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
38.	008-754-101	That Part of Section 12 Range 1 Cedar District outlined in red on	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		Plan 573 RW		
39.	008-758-280	That Part of Section 18 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
40.	008-758-301	That Part of Section 19 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
41.	008-758-433	That Part of Section 10 Range 1 Cedar District coloured red on Plan Deposited in DD 20845F and outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
42.	008-758-387	That Part of Section 15 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
43.	008-758-778	That Part of Section 13 Range 1 Cedar District outlined in red on Plan 1997 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
44.	008-758-794	That Part of Section 18 Range 1 Cedar District outlined in red on Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
45.	008-759-260	That Part of Parcel A (DD 392261I) of Section 10 Range 1 Cedar District outlined in red on Plan 1873R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
46.	008-758-328	That Part of Section 20 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
47.	005-432-928	Lot 1 Section 4 Range 7 Cranberry District Plan 8718 except part in Plan 12762	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
48.	005-564-549	Lot A Sections 4 and 5 Range 8 Cranberry District Plan 8575	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
49.	009-002-413	That Part of Section 5 Range 8 Cranberry District outlined in red	1000 Wave Place,	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		on Plan 1447R	Nanaimo, B.C.	
50.	009-002-421	That Part of Section 5 Range 8 Cranberry District (including part of Plan 1364R) shown outlined in red on Plan 1517R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
51.	008-996-504	That Part of Section 5 Range 8 Cranberry District outlined in red on Plan DD 16767N and included within the area outlined in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
52.	006-347-134	That Part of Lot 1 Section 4 Ranges 7 and 8 Cranberry District Plan 2700 shown included in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
53.	008-996-431	That Part of Section 5 Range 8 Cranberry District shown outlined in red on Plan 588 RW except part included in the area outlined in red on Plan DD 16767N and except part in Plan 8330	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
54.	008-996-458	That Part of the East 60 Acres of Section 6 Range 8 Cranberry District included within the area outlined in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
55.	006-347-282	That Part of Lot 1 Section 4 Range 7 Cranberry District Plan 2700 included in red on Plan 1486-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
56.	008-996-296	That Part of Section 4 Range 7 Cranberry District outlined in red on Plan 1358R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
57.	009-002-456	That Part of Section 5 Range 7 Cranberry District outlined in red on Plan 1351R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
58.	008-758-182	That part of Section 18, Range 2, Cedar District, lying to the North	1000 Wave Place,	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		of that part coloured red on Plan Deposited under DD 29718I, and to the East of the Production Northerly of the West Boundary of said part	Nanaimo, B.C.	
59.	005-091-730	Lot 1, Section 4, Range 7, and of Sections 3 and 4, Range 8, Cranberry District, Plan 2700, except those parts of said lot shown outlined in red on Plans 588 RW, 1357 R, 1486 R, 8178, 12014 and 12762, except that part of said lot included within the boundaries of Plan 8330 and except those parts of said lot shown outlined in red and marked D and E on Plan 1485 R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
60.	006-347-151	That Part of Lot 1, Section 4, Range 8, Cranberry District, Plan 2700, included in red on Plan 1357-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
61.	006-347-312	Those Parts of Lot 1, Section 4, Ranges 7 & 8, Cranberry District, Plan 2700 included in red and marked "D" and "E" on Plan 1485-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
62.	006-347-509	Lot 6, Section 3, Range 8, Cranberry District, Plan 2700	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
63.	008-996-202	That part of Section 5 Range 8 Cranberry District outlined in red on Plan 1350R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
64.	008-996-245	That Part of Section 6 Range 8 Cranberry District outlined in red on Plan 1350R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
65.	009-796-673	That part of the East 60 Acres of Section 6, Range 8, Cranberry District, lying to the North of a boundary extending due East from the most Northerly iron pin	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		of the area shown on Plan 1350R		
66.	005-500-605	Lot 1, Section 5, Range 7, and of Section 3, 4, and 5, Range 8, Cranberry District Plan 8330	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
67.	024-089-320	That part of Nanaimo District being part of the bed of Northumberland Channel, shown on Plan 3078 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

Part 2 – Crown Leases

5. Lease of aquatic lands no. 103441 dated for reference August 1, 1990 between Her Majesty the Queen in right of the Province of British Columbia and MacMillan Bloedel Limited, as assigned by MacMillan Bloedel Limited to Harmac Pacific Inc. pursuant to an agreement dated for reference May 26, 1994 between MacMillan Bloedel Limited, Harmac Pacific Inc. and the Majesty the Queen in right of the Province of British Columbia. This lease is subject to a sublease by way of mortgage in favour of Ableco Finance LLC.
6. Sub-lease aquatic lands (of lease of aquatic lands no. 103441) effective August 1, 2005 between Pope & Talbot Ltd. and Nexen Chemicals Canada Ltd.
7. Lease agreement dated for reference November 1, 2004 between Nanaimo Port Authority and Pope & Talbot Ltd., as amended by lease modification agreement dated January 1, 2008.
8. Non-disturbance agreement dated for reference and made as of November 1, 2004 between Her Majesty the Queen in right of the Province of British Columbia and Nanaimo Port Authority and Pope & Talbot Ltd.
9. Statutory right of way no. 105854 dated March 12, 1998 between Her Majesty the Queen in Right of Province of British Columbia and Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PID 024-089-320 (charge # EM24688).
10. Statutory right of way dated May 1, 1999 in favour of Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PID 002-308-151 (charge #EN 39180).
11. Statutory right of way in favour of Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PID 002-308-151, registered May 24, 1994, charge # EH 70653 (assignment of EH54371).

12. Statutory right of way dated May 1, 2005 in favour of Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PID 002-308-151.
13. Statutory right of way dated May 24, 1994 in favour of Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PIDs 008-996-369 and 008-996-318 (charge #EH70648).
14. Statutory right of way dated May 24, 1994 in favour of Harmac Pacific Inc. (now Pope & Talbot Ltd.) over PIDs 023-922-893, 023-922-907 and 023-922-915 (charge #EH70647).

Part 3 – Licenses and Permits

1. Permit PE-13990 issued by the Ministry of Environment (Camp Effluent Permit) on October 12, 1995 as amended (last amendment dated December 19, 2001) and now held by Pope & Talbot Ltd.
2. Permit PE-01214 issued February 4, 1972 to MacMillan Bloedel Limited by the Ministry of Environment, Lands and Parks under the provisions of the *Waste Management Act* (British Columbia), as amended (last amendment dated June 30, 2004), and now held by Pope & Talbot Ltd.
3. Permit PR-02205 issued December 4, 1974 to Harmac Pacific Inc. by the Ministry of Environment, Lands and Parks under the provisions of the *Waste Management Act* (British Columbia), as amended (last amendment dated June 23, 1995).
4. Permit PA-02708 issued September 30, 1977 to Harmac Pacific Inc. by the Ministry of Environment, Lands and Parks under the provisions of the *Waste Management Act* (British Columbia), as amended (last amendment dated April 20, 2001), and now held by Pope & Talbot Ltd.
5. Radio licence nos. 0003039, 0004099, 0150530, 0162393, 0400532, 0418976, 0486472, 0618256, 0848233, 0929002, 0957734, 0960781, 0960872, 0960875, 0969913, 0969921, 2805128, 2968285, 3498213, 3498215, 3498217, 3498219, 3498223, 3498225, 3498227, 3510321, 3519376, 3577252, 3594196, 4042123, 4042125, 4042127, 4042129, 4042131, 4042133, 4042137, 4042139, 4042141, 4620778, 4633888, 4648573, 4805542, 4894253, 4894255, 4905476, 4923251, 4974849, 5002389, 5002391 issued to Pope & Talbot Ltd.
6. Nuclear Substances and Radiation Devices License No. 12070-1-10.0 issued to Pope & Talbot Ltd., valid from April 1, 2005 to March 31, 2010.
7. British Columbia Safety Authority Boiler & Pressure Vessel Contractor Licence No. 363 issued to Pope & Talbot Ltd.
8. British Columbia Safety Authority Electrical Operating Permit No. 6612 issued to Pope & Talbot Ltd.

9. Permits to Operate a Water Supply System issued to Pope & Talbot, Inc. by the Vancouver Island Health Authority from the Nanaimo River and groundwater.
10. Nuclear Substances and Radiation Devices License No. 13340-1-11.0 issued to Pope & Talbot Mackenzie Pulp Operations Ltd., valid from April 1, 2006 to March 31, 2011.
11. British Columbia Safety Authority Boiler & Pressure Vessel Contractor Licence No. 538 issued to Pope & Talbot Ltd.
12. British Columbia Safety Authority Boiler & Pressure Vessel Operating Permits issued to Pope & Talbot Ltd. for units (not transferable): HP52403, HP52409, PV13P1903, PV19P0314, PV19P0315, PV19P0685, PV1P8204, PV21P2108, PV21P7467, PV21P7595, PV21P7597, PV21P7598, PV21P7629, PV21P7654, PV21P7753, PV21P7779, PV21P7793, PV21P7840, PV21P7841, PV21P7842, PV21P7883, PV21P7951, PV21P7952, PV21P7953, PV21P7954, PV21P7955, PV21P7960, PV21P7966, PV21P7967, PV21P7968, PV21P7969, PV21P8035, PV21P8037, PV21P8056, PV21P8077, PV21P8078, PV21P8079, PV21P8204, PV21P8224, PV21P8225, PV21P8226, PV21P8326, PV26P0133, PV26P0134, PV26P132, PV26P268, PV26P269, PV26P270, PV26P271, PV26P275, PV26P276, PV26P277, PV26P279, PV31P3236, PV31P3779, PV31P5157, PV31P5158, PV31P6273, PV31P6307, PV31P6549, PV31P6705, PV31P9535, PV42P1694, PV42P1695, PV42P1696, PV42P1818, PV42P1819, PV42P1820, PV42P1821, PV42P1855, PV42P1856, PV42P1859, PV42P1861, PV42P1862, PV42P1863, PV42P1864, PV42P1865, PV42P1866, PV42P1867, PV42P1868, PV42P1869, PV42P2570, PV42P2571, PV42P2572, PV42P2573, PV42P2574, PV42P2575, PV42P2576, PV42P2577, PV42P2951, PV42P2952, PV42P2995, PV42P3980, PV42P6165, PV42P6166, PV42P6167, PV42P8946, PV42P9049, PV52578, PV65P0673, PV65P0674, PV65P1558, PV65P1559, PV65P2506, PV65P2591, PV65P2739, PV65P3154, PV65P3265, PV65P3332, PV65P3346, PV65P3359, PV65P3360, PV65P3389, PV65P3397, PV65P3431, PV65P3432, PV65P3433, PV65P3434, PV65P3450, PV65P4243, and PV65P4568.
13. British Columbia Safety Authority Electrical Operating Permit 636 issued to Pope & Talbot Ltd.
14. Final water licence no. 109739 issued June 30, 1995 under the *Water Act* (British Columbia).
15. Final water licence no. 109740 issued June 30, 1995 under the *Water Act* (British Columbia).
16. Final water licence no. 109741 issued June 30, 1995 under the *Water Act* (British Columbia).
17. Final water licence no. 109742 issued June 30, 1995 under the *Water Act* (British Columbia).

18. Final water licence no. 109743 issued June 30, 1995 under the *Water Act* (British Columbia).
19. Water licence no. 117357 issued to Pope & Talbot Ltd. May 31, 2002 under the *Water Act* (British Columbia).
20. British Columbia Safety Authority Gas Contractor Licence No. 3877 issued to Pope & Talbot Ltd.
21. British Columbia Safety Authority Elevating Devices Contractor Licence No. 52 issued to Pope & Talbot Ltd.
22. British Columbia Safety Authority Elevating Devices Operating Permits issued to Pope & Talbot Ltd. for units 6526, 6527, 6528, 6529, 6530, 6531, 6532, 6533, 7787 and 17388.
23. British Columbia Safety Authority Elevating Devices Operating Permits issued to Pope & Talbot Ltd. for units 5014, 5015 and 5016.
24. British Columbia Safety Authority Certificate of Gas Inspection for Gas Operating Permit 2171830 issued to Pope & Talbot Ltd.
25. Non-exclusive license effective April 1, 2005 between Pope & Talbot Ltd. and Nanaimo River Stewardship Society.
26. Any licenses in favour of Pope & Talbot Ltd. appurtenant to any agreements registered on title to the Lands.

EXHIBIT D

THE PURCHASER IS REFERRED TO SECTION 4.6(e) OF THE AGREEMENT

ASSUMED OBLIGATIONS

1. all liabilities and obligations of the Vendor which relate to the period after the Time of Closing in respect of the Permitted Encumbrances; and
2. all liabilities relating to the ownership, operation and use of the Purchased Assets which relate to the period after the Time of Closing.

EXHIBIT E

Permitted Encumbrances

MILL SITE

1. All encumbrances registered against the Lands as at the date of execution of this Agreement except those in favour of Ableco Finance LLC.

EXHIBIT F

Form of Court Order

No. S077839

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36**

**AND IN THE MATTER OF THE RECEIVERSHIP OF POPE & TALBOT LTD. AND
THE PETITIONERS LISTED IN SCHEDULE "A"**

ORDER

BEFORE THE HONOURABLE) **<*>**, THE **<*>** DAY
THE CHIEF JUSTICE) OF **<*>** 2008
)

THE MOTION of PricewaterhouseCoopers Inc. in its capacity as both Monitor and Interim Receiver (hereafter, the "Receiver" and/or the "Monitor" as applicable) coming on for hearing at Vancouver, British Columbia on this day, AND ON HEARING Kibben Jackson, counsel for the Receiver and Monitor, and those counsel listed in Schedule "B", AND UPON READING the material filed.

THIS COURT ORDERS THAT:

1. The time for service of the Receiver's Notice of Motion and supporting materials is hereby abridged so that this motion is properly returnable today, and the need for

further service of the Notice of Motion and supporting materials is hereby dispensed with.

Approval of Sale

2. The agreement of purchase and sale (the "Purchase Agreement") between PricewaterhouseCoopers Inc. in its capacity as the Receiver of the property, assets and undertakings of Pope & Talbot Ltd. (herein the "Company ") and 830274 B.C. Ltd. (the "Purchaser") dated <*>, 2008, pursuant to which the Receiver has agreed to sell and the Purchaser has agreed to purchase certain of the properties and assets of the Company related to the Business (as defined in the Purchase Agreement), (collectively, the "Purchased Assets") and the sale of the Purchased Assets to the Purchaser on the terms of the Purchase Agreement (such sale and the transaction subject of the Purchase Agreement is hereafter referred to as the "Transaction") are hereby approved.

Vesting of the Lands Interests in the Purchaser

3. In connection with the Transaction, all of the right, title and interest of the Company in and to those certain parcels or tracts of lands and premises and interests in land (collectively, the "Lands"), more particularly described in Schedule "C" to this Order ("Schedule C") shall be transferred to and vest in the Purchaser, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of the Company and its successors and assigns and all persons claiming by, through or under the Company, including without limitation the charges to be discharged in accordance with paragraph 7 of this Order, but specifically subject to the Permitted Encumbrances described in Schedule "E" to this Order ("Schedule E").

4. Upon registration at the applicable Land Title Office of a Court certified copy of this Order, together with a letter from Fasken Martineau DuMoulin LLP to such registry authorizing the registration and/or filing of this Order, the Lands shall be transferred to and vest in the Purchaser as registered owner in fee simple, without further instrument of transfer or discharge, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of the Company and its successors and assigns and all persons claiming by, through or under the Company, or any of them, including without limitation free and clear of the charges to be discharged in accordance with paragraph 7 of this Order but specifically subject to the Permitted Encumbrances described in Schedule E, and for the purposes of this paragraph 4, this Court directs the Registrar of the Victoria Land Title Office to register indefeasible title in favour of the Purchaser in the Lands, and this Court declares that it has been proven to the satisfaction of the Court on investigation that the title of the Purchaser in and to those Lands is a good, safe holding and marketable title.

5. Nothing in this Order is intended to abrogate any obligation or liability that the Purchaser may have under provincial or Canadian enactments as the owner of the Purchased Assets after closing or affect any jurisdiction or power of a Governmental Authority (as defined in the Purchase Agreement) under an enactment in that regard.

Vesting of Personal Property in the Purchaser

6. At the Time of Closing on the Closing Date (each as defined in the Purchase Agreement), all of the right, title and interest of the Company in and to the Purchased Assets,

other than the Lands vesting in the Purchaser pursuant to paragraphs 3 and 4 of this Order and subject to paragraph 8 of this Order with respect to any Rights (as defined in the last mentioned paragraph), shall be transferred to and vest in the Purchaser as owner without further instrument of transfer or discharge, free and clear of all right, title, interest, encumbrances, liens, charges and equities of redemption of the Company and Company's successors and assigns and all persons claiming by, through or under the Company, and the Receiver is hereby authorized to take all such steps as may be necessary to effect the discharge of all liens, charges and encumbrances registered against the Purchased Assets in the British Columbia Personal Property Registry (the "PPR"), including by way of further application to this Court.

General Discharge Provision and Form of Order

7. The Registrar of the Victoria Land Title Office shall forthwith remove, discharge and de-register those registrations against the Lands, or any of them, which are registered in the Victoria Land Title Office as set out in Schedule "D" to this Order forthwith upon receipt by such persons of:

a letter from Fasken Martineau DuMoulin LLP to such registry authorizing the registration and/or filing of this Order; and

a Court certified copy of this Order, or facsimile version, or a photocopy of a facsimile version or a scanned and electronically transferred copy of a Court certified copy of this Order, which facsimile version, or photocopy of a facsimile version or scanned electronic version of a Court certified copy of this Order, this Court deems to be effective for the removal, discharge and de-registration described above as if it were an original Court certified copy of this Order.

Unassignable interests

8. If any rights, benefits or remedies (hereinafter collectively called the "Rights") under the License, any of the Leases, and any of the Licences and Permits or the Intellectual Property (each as defined in the Purchase Agreement) assigned to or assumed by the Purchaser pursuant to the Purchase Agreement are not assignable by the Vendor (as defined in the Purchase Agreement) or by the Company without the consent of one or more other parties thereto (hereinafter called a "Third Party") and such consent is not obtained prior to the Time of Closing (but the Transaction otherwise completes), such Rights will not vest in the Purchaser at the Time of Closing but will be held by the Vendor for the benefit of the Purchaser in accordance with the Purchase Agreement, providing further that upon any such Third Party consent being obtained, such Rights shall automatically vest in the Purchaser without the requirement of any further action on the part of the Purchaser.

Powers of Receiver

9. As may be required to carry out the sale of the Purchased Assets, or any of them, by the Receiver, or as may otherwise be required to carry out the purpose and intent of the Agreement and of this Order, the Receiver is authorized to execute, on its own behalf and/or on behalf of the Company, as may be required, all such documents of transfer, bills of sale, assignments and other documents and instruments, under the seal of the

Company or otherwise, as may be required or desirable to effect or evidence the sale, transfer and assignment of the Purchased Assets or any of them and the vesting of title, as ordered above, including without limitation any documents which may be required or that the Purchaser deems desirable to be registered at any Land Title Office and any other registry or office where registration may be required or desirable to record, evidence or carry out the transfer of the Purchased Assets or any of them.

Assumption of Agreements

10. The Purchaser shall be deemed to have taken an assignment of only those agreements specifically assigned pursuant to the Purchase Agreement, including the Schedules thereto, and under no circumstances shall the Purchaser be deemed to have taken an assignment of, assumed, be bound by or have any obligations under any other agreement between Pope & Talbot Ltd. or any of the other Petitioners, including without limitation any fibre supply agreements entered into by Pope & Talbot Ltd. or any of the other Petitioners and any agreements relating in any way to the Business or any of the Purchase Assets. Any agreements between Pope & Talbot Ltd. and any of the other Petitioners relating to the Business, including any fibre supply agreements relating to the Business, are hereby terminated.

General

11. The Receiver is authorized to execute on behalf of any parties who were given notice of the application for this Order such financing statements, financing change statements, and such other documents, instruments and discharges, and to effect on behalf of such parties the registration of such financing statements, financing change statements and such other documents and instruments at the applicable Land Title Office and any other registry or office where registration may be required or desirable to cancel any registration at such registry or registries in favour of any of the parties to this proceeding with respect to any assets or interests which may be described or referenced in the above-referenced documents of transfer, bills of sale, assignments, documents and instruments or which may otherwise be transferred to the Purchaser pursuant to the terms of this Order or any instrument executed and delivered pursuant to this Order.
12. The sale proceeds from the sale of each asset included in the Purchased Assets shall stand in the place and stead of the asset sold and all liens, claims, encumbrances and other interests that are attached to an asset prior to its sale shall, to the extent that they are not paid from the sale proceeds or otherwise, upon the closing of the sale of the Purchased Assets cease to be attached to or encumber or otherwise form a lien or a claim against the Purchased Assets and shall attach to the sale proceeds with the same validity, priority and in the same amounts, and subject to the same defences, that existed when the liens, claims, encumbrances and other interests attached to the sold asset.
13. The Receiver and the Purchaser shall be at liberty to amend the Schedules to the Purchase Agreement to include any Purchased Assets not identified by those parties

prior to execution of the Purchase Agreement without the need for further Order of this Court.

14. The Receiver and the Purchaser shall be at liberty to apply for such further and other directions as may be necessary to carry out the terms of this Order.
15. Endorsement of this Order by counsel appearing on this application, except counsel for PricewaterhouseCoopers Inc., is hereby dispensed with.

BY THE COURT

DISTRICT REGISTRAR

APPROVED AS TO FORM:

Counsel for PricewaterhouseCoopers Inc.

SCHEDULE "A"

ADDITIONAL PETITIONERS

Pope & Talbot, Inc.

MacKenzie Pulp Landing Ltd.

P&T Funding Ltd.

Penn Timber, Inc.

Pope & Talbot Lumber Sales, Inc.

Pope & Talbot Pulp Sales U.S., Inc.

Pope & Talbot Relocation Services, Inc.

P&T Power Company

P&T Finance Three LLC

SCHEDULE C

DESCRIPTION OF THE LANDS, REFERENCED IN PARAGRAPH 3 OF THE ORDER

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
1.	008-627-100	That Part of Section 22, Range 1, Cedar District, outlined in Red on Plan 1499R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
2.	023-922-877	Lot 1 Section 1 Range 8 Nanaimo District and Section 21 Range 1 Cedar District Plan VIP65621	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
3.	023-922-893	Lot 3 of Sections 21, 22 and 23 Range 1 and Sections 21, 22 and 23 Range 2 Cedar District and District Lot 137 and 385 Nanaimo District Plan VIP65621	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
4.	003-926-516	West 60 acres of Section 22, Range 1, Cedar District Except that part shown outlined in Red on Plan 1499R and Except part in Plan VIP74868	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
5.	003-924-424	The East ½ of Section 2, Range 8, Nanaimo District, Except Plans 32333, 37427 and VIP74868	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
6.	009-779-159	Section 3, Range 8, Nanaimo District, Except those parts in Plans 16106 and 32333	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
7.	009-779-442	Section 4, Range 8, Nanaimo District, Except Parcel A (DD 35951I) and Except those parts in Plans 16106 and 17640	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
8.	008-747-695	Section 20, Range 2, Cedar District	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
9.	000-102-946	Lot 3, Sections 3 & 4, Range 8 and District Lot 137, Nanaimo	1000 Wave Place,	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		District, Plan 32333	Nanaimo, B.C.	
10.	009-045-872	District Lot 17, Dunsmuir District containing 557.8 Acres, more or less	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
11.	008-475-431	That part of Block 68, Dunsmuir District, Plan 789, shown outlined in red on Plan 1580R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
12.	006-007-805	Section 13, Range, 1, Cedar District, except Parcel A (DD 6974N), and except Parcel B (DD 71270N), and except that part lying to the South and East of Plan 7914, and except those parts in Plans 573 RW, 1997 RW, 1572-R, 7914, 8955, 15443 and 23683	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
13.	004-226-216	That Part of Lot 4 Section 11 Range 1 Cedar District Plan 15311 shown outlined in red on Plan 1997 R.W.	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
14.	004-226-224	That Part of Lot 3 Section 11 Range 1 Cedar District Plan 15311 shown outlined in red on Plan 1997 R.W.	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
15.	008-758-786	That Part of Section 12 Range 1 Cedar District outlined in red on Plan 1997 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
16.	008-752-133	That Part of Section 11 Range 1 Cedar District outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
17.	008-754-144	That Part of Section 7 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
18.	008-754-187	That Part of Section 8 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
19.	008-758-174	That Part of Section 11 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
20.	008-759-243	That Part of Parcel A (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 1523R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
21.	008-759-251	That Part of Parcel B (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 1523R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
22.	008-759-359	That Part of Parcel A (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
23.	008-759-367	That Part of Parcel B (DD 15075N) of Section 6 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
24.	008-751-846	That Part of Section 9 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
25.	006-285-601	That Part of Lot 3 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
26.	006-285-651	That Part of Lot 5 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
27.	006-285-619	That Part of Lot 4 Section 17 Range 1 Cedar District Plan 3119 included in Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
28.	006-285-694	That Part of Lot 6 Section 16 Range 1 Cedar District Plan 3119 shown outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
29.	006-285-627	That Part of Lot 3 Section 17 Range 1 Cedar District Plan 3119 included in Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
30.	006-285-635	That Part of Lot 4 Section 17 Range 1 Cedar District Plan 3119 included in Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
31.	008-751-919	That Part of Section 10 Range 1 Cedar District containing 1.44 acres more or less and shown outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
32.	008-751-811	That Part of Section 12 Range 1 Cedar District outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
33.	008-753-806	That Part of Section 10 Range 1 Cedar District coloured red on Plan Deposited in DD 20845F included within the area shown outlined in red on Plan 573RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
34.	008-758-212	That Part of Section 10 Range 1 Cedar District containing 1.56 acres more or less and shown outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
35.	008-758-042	That Part of Parcel C (DD 6974N) of Section 15 Range 1 Cedar District coloured red on Plan 1227R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
36.	008-754-012	That Part of Section 14 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
37.	008-754-128	That Part of Section 13 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
38.	008-754-101	That Part of Section 12 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
39.	008-758-280	That Part of Section 18 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
40.	008-758-301	That Part of Section 19 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
41.	008-758-433	That Part of Section 10 Range 1 Cedar District coloured red on Plan Deposited in DD 20845F and outlined in red on Plan 657 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
42.	008-758-387	That Part of Section 15 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
43.	008-758-778	That Part of Section 13 Range 1 Cedar District outlined in red on Plan 1997 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
44.	008-758-794	That Part of Section 18 Range 1 Cedar District outlined in red on Plan 1694 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
45.	008-759-260	That Part of Parcel A (DD 392261I) of Section 10 Range 1 Cedar District outlined in red on Plan 1873R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
46.	008-758-328	That Part of Section 20 Range 1 Cedar District outlined in red on Plan 573 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
47.	005-432-928	Lot 1 Section 4 Range 7 Cranberry District Plan 8718 except part in Plan 12762	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
48.	005-564-549	Lot A Sections 4 and 5 Range 8 Cranberry District Plan 8575	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
49.	009-002-413	That Part of Section 5 Range 8 Cranberry District outlined in red on Plan 1447R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
50.	009-002-421	That Part of Section 5 Range 8 Cranberry District (including part of Plan 1364R) shown outlined in red on Plan 1517R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
51.	008-996-504	That Part of Section 5 Range 8 Cranberry District outlined in red on Plan DD 16767N and included within the area outlined in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
52.	006-347-134	That Part of Lot 1 Section 4 Ranges 7 and 8 Cranberry District Plan 2700 shown included in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
53.	008-996-431	That Part of Section 5 Range 8 Cranberry District shown outlined in red on Plan 588 RW except part included in the area outlined in red on Plan DD 16767N and except part in Plan 8330	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
54.	008-996-458	That Part of the East 60 Acres of Section 6 Range 8 Cranberry District included within the area outlined in red on Plan 588 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
55.	006-347-282	That Part of Lot 1 Section 4 Range 7 Cranberry District Plan 2700 included in red on Plan 1486-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
56.	008-996-296	That Part of Section 4 Range 7 Cranberry District outlined in red on Plan 1358R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
57.	009-002-456	That Part of Section 5 Range 7 Cranberry District outlined in red on Plan 1351R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
58.	008-758-182	That part of Section 18, Range 2, Cedar District, lying to the North of that part coloured red on Plan	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		Deposited under DD 29718I, and to the East of the Production Northerly of the West Boundary of said part		
59.	005-091-730	Lot 1, Section 4, Range 7, and of Sections 3 and 4, Range 8, Cranberry District, Plan 2700, except those parts of said lot shown outlined in red on Plans 588 RW, 1357 R, 1486 R, 8178, 12014 and 12762, except that part of said lot included within the boundaries of Plan 8330 and except those parts of said lot shown outlined in red and marked D and E on Plan 1485 R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
60.	006-347-151	That Part of Lot 1, Section 4, Range 8, Cranberry District, Plan 2700, included in red on Plan 1357-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
61.	006-347-312	Those Parts of Lot 1, Section 4, Ranges 7 & 8, Cranberry District, Plan 2700 included in red and marked "D" and "E" on Plan 1485-R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
62.	006-347-509	Lot 6, Section 3, Range 8, Cranberry District, Plan 2700	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
63.	008-996-202	That part of Section 5 Range 8 Cranberry District outlined in red on Plan 1350R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
64.	008-996-245	That Part of Section 6 Range 8 Cranberry District outlined in red on Plan 1350R	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
65.	009-796-673	That part of the East 60 Acres of Section 6, Range 8, Cranberry District, lying to the North of a boundary extending due East from the most Northerly iron pin	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

	<u>PID</u>	<u>Legal Description</u>	<u>Street Address</u>	<u>Owner</u>
		of the area shown on Plan 1350R		
66.	005-500-605	Lot 1, Section 5, Range 7, and of Section 3, 4, and 5, Range 8, Cranberry District Plan 8330	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.
67.	024-089-320	That part of Nanaimo District being part of the bed of Northumberland Channel, shown on Plan 3078 RW	1000 Wave Place, Nanaimo, B.C.	Pope & Talbot Ltd.

SCHEDULE D

DESCRIPTION OF ENCUMBRANCES TO BE DISCHARGED BY COURT ORDER

<*>

SCHEDULE E

PERMITTED ENCUMBRANCES

the reservations, limitations, provisions or conditions expressed in the original grants from the Crown of any of the Lands and the statutory exceptions to title currently applicable to those Lands;

exceptions and reservations in favour of other grantors, restrictive covenants, easements, rights-of-way, mineral claims, reservations of under surface rights, agricultural land reserve notations and other similar rights or agreements, in any such case, as presently registered against title to any of the Lands;

charges granted by public utilities or the holders of the interests described in Section 2 above in respect of their interests, if any, in the Lands;

a claim of right, title or jurisdiction which may be made or established by any aboriginal peoples by virtue of their status as aboriginal peoples to or over any lands, waters or products harvested therefrom; and

undetermined or inchoate liens and charges incidental to current construction or current operations which have not been filed or registered in accordance with Applicable Law or of which written notice has not yet been duly given in accordance with Applicable Law or that relate to an obligation not yet due or delinquent, which in each case relate to obligations or liabilities assumed by the Purchaser at the Time of Closing.

***Terms used as defined terms herein and not otherwise defined in this Schedule “E” have the meanings given to them in the Purchase Agreement.**

EXHIBIT G

Excluded Assets

1. All rail cars located on the Lands and containing sulphuric acid, as well as the sulphuric acid contained therein.
2. Lumber brokerage agreement made as of the 29th day of September, 2005 between PTLs and Lignum Forest Products LLP.
3. The following inter-company agreements:
 - a) Factoring services agreement between Pope & Talbot, Inc. and Pope & Talbot Factoring Limited Partnership.
 - b) Lumber sales representative agreement between Pope & Talbot, Inc. and Pope & Talbot Ltd.
 - c) Management services agreement between Pope & Talbot, Inc. and Pope & Talbot Ltd.
 - d) Promissory note dated as of April 5, 2004 between Pope & Talbot Ltd. and P&T Finance One Limited Partnership.
 - e) Promissory note dated as of April 5, 2004 between Pope & Talbot Ltd. and P&T Finance Two Limited Partnership.
 - f) Loan agreement originating on or around 3/1/2006 between Pope & Talbot Ltd. and P&T Finance Two Limited Partnership.
 - g) Management services agreement between Pope & Talbot, Inc. and Pope & Talbot Spearfish Limited Partnership.
 - h) Log supply agreement between Pope & Talbot, Inc. and Pope & Talbot Spearfish Limited Partnership.
 - i) Demand note between Pope & Talbot, Inc. and Pope & Talbot Ltd. entered into on October 1, 2006 for \$75 million U.S. Dollars.
 - j) Any pulp sales representative agreements.
4. All rights (including any documentation or correspondence and the like) relating to any legal privilege of the Company relating to the Business.
5. All assets associated with the Fort St. James sawmill and Mackenzie mills.

6. All of the Companies' benefit plans.

EXHIBIT H

Other Leases and Other Contracts

Fibre Supply Contracts

1. Chip and pulp log supply agreement made May 26, 1994 between MacMillan Bloedel Limited and Harmac Pacific Inc., as amended by agreements dated March 5, 1996, April 8, 1996, August 23, 1996, January 14, 1997, January 26, 1999, June 2, 2000, amendment to chip and pulp log supply agreement dated with effect as of July 1, 2001 between Weyerhaeuser Company Limited and Pope & Talbot Ltd., letter dated July 13, 2001 between Weyerhaeuser Company Limited and Pope & Talbot Ltd., and letter dated November 2, 2006 between Western Forest Products Inc. and Pope & Talbot Ltd., with draft renewal term letter agreement dated December 12, 2007 (unexecuted).
2. Hog fuel supply agreement made May 26, 1994 between MacMillan Bloedel Limited and Harmac Pacific Inc, assumed by Western Forest Products.
3. Fibre supply agreement made as of November 1, 2006 between Pope & Talbot Ltd., Harmac Pulp Operations and Cheslatta Forest Products Ltd., as amended by confirmation of fibre transaction dated February 15, 2007.
4. Chipping contract dated November 1, 2002 between Pope & Talbot Ltd. and DCT Chambers Trucking Ltd.
5. Letter agreement dated May 29, 2003 between Pope & Talbot Ltd., Harmac Pulp Operations and Beaver Forest Products, as amended by letters dated July 10, 2003, October 7, 2003, January 19, 2004, July 29, 2004, October 14, 2004, January 29, 2006, March 16, 2006, July 26, 2006, September 18, 2006, October 30, 2006, January 1, 2007 and March 1, 2007.
6. Letter agreement dated June 10, 2005 between Kitwanga Lumber Company and Pope & Talbot Ltd., as amended by letter agreement dated November 21, 2006, confirmation of fibre transaction dated November 10, 2006, addendum dated December 12, 2006, and letter agreement dated January 1, 2007.
7. Letters of chip selling agreement (2) dated September 25, 2006 between Sun Wave Forest Products Ltd. and Pope & Talbot Ltd. - Harmac Division, as amended by amendment letter dated November 10, 2006, with application for private crossing dated February 1, 2007.
8. Confirmations of fibre transactions between Coulson Manufacturing Ltd. and Pope & Talbot Ltd. dated July 1, 2006 (as amended by letter dated July 26, 2006), August 28, 2006 (as amended by letter dated September 18, 2006) September 26, 2006 (as amended by letters dated October 30, 2006, January 1, 2007 and January 29, 2007) and April 1, 2007 (as amended by letter dated April 13, 2007).

9. Fibre supply agreement made as of November 1, 2006 between Pope & Talbot Ltd. and West Chilcotin Forest Products Ltd.
10. Fibre supply agreement made as of September 12, 2006 between Pope & Talbot Ltd. and Sigurdson Bros. Logging Company Ltd.
11. Fibre supply agreement dated November 1, 2006 between Pope & Talbot Ltd. and Cheslatta Forest Products.

B. Chemical Supply Contracts

12. Fertilizer supply agreement effective April 1, 2003 between Pope & Talbot Ltd. and Agrium, as amended by price quotation dated May 15, 2006.
13. Price quotations dated April 15, 2005 and March 8, 2007 between Pope & Talbot Ltd. and Teck Cominco Metals Ltd.
14. Contractual agreement between Pope & Talbot Ltd. and National Silicates executed November 28, 2000 and November 16, 2000, respectively, with letter dated September 19, 2006 and related correspondence.
15. Letter dated December 21, 2006 from Chemical Lime Company of Canada Inc. to Pope & Talbot Ltd.
16. Pricing Agreement effective November 1, 2005 between Kemira Chemicals, Inc. and Pope & Talbot Ltd.
17. Gas supply and service agreement no. 07-2099 dated January 1, 2004 between Praxair Canada Inc. and Pope & Talbot Ltd. – Harmac Pulp Operations.
18. Price quotation no. 01-51691 dated February 26, 2001 between Pope & Talbot Ltd. and Cominco American.
19. Purchase Agreement dated November 1, 1996 between FMC of Canada Limited and Pope & Talbot Ltd.-Harmac Division.
20. Caustic soda sales contract effective August 1, 2001 between Nexen Chemicals Canada Limited Partnership and Pope & Talbot Ltd. - Harmac Pulp Operations and Pope & Talbot Mackenzie Pulp Operations Ltd.
21. Sodium chlorate sales contract effective August 1, 2001 between Nexen Chemicals Canada Limited Partnership and Pope & Talbot Ltd. - Harmac Pulp Operations and Pope & Talbot Mackenzie Pulp Operations Ltd.
22. Letter agreement dated June 18, 2003 between Pope & Talbot Ltd. and Brenntag Canada Inc., as amended October 8, 2004 and March 14, 2007.

C. Pulp Sales Contracts

23. Wood pulp contract between Pope & Talbot Ltd. and Cartiere Burgo executed March 6, 2002 and February 2, 2002 respectively, amended by addendum dated December 12, 2002 and addendum 2 dated February 14, 2006.
24. Wood pulp contract made as of July 21, 2006 between Pope & Talbot Ltd., Gold East Paper (Jiangsu) Co., Ltd., Gold Hong Ye Paper (Suzhou Industrial Park) Co., Ltd., Gold Hua Sheng Paper (Suzhou Industrial Park) Co., Ltd., Ningbo Zhonghua Paper Co., Ltd. and Asia Pulp & Paper Co., Ltd.
25. Wood pulp contract made as of March 24, 2006 between Pope & Talbot Ltd. and Fedrigoni Group.
26. Wood pulp contract made as of January 1, 2005 between Pope & Talbot Ltd. and Miquel y Costas y Miquel S.A.
27. Woodpulp contract concluded on April 11, 2007 between Myllykoski Continental GmbH and Pope & Talbot Ltd.

D. Utility Agreements

28. Electricity supply agreement made as of October 19, 2001 between British Columbia Hydro and Power Authority and Pope & Talbot Ltd. – Harmac Pulp Operations.
29. Vancouver Island Gas restated joint venture agreement effective November 1, 1994 between Fletcher Challenge Canada Limited, Harmac Pacific Inc., Howe Sound Pulp and Paper Limited, MacMillan Bloedel Limited and Western Pulp Limited Partnership.
30. Gas marketing services agreement effective July 1, 2004 between Howe Sound Pulp and Paper Limited Partnership, Pope & Talbot Ltd., and Western Pulp Limited Partnership and IGI Resources Inc.
31. Transition and release agreement made as of December 14, 1995 between Pacific Coast Energy Corporation, MacMillan Bloedel Limited, Howe Sound Pulp and Paper Limited, Fletcher Challenge Canada Limited, Western Pulp Limited Partnership and Harmac Pacific Inc. and Her Majesty the Queen in Right of the Province of British Columbia, with transportation service agreement made December 14, 1995 between Pacific Coast Energy Corporation, MacMillan Bloedel Limited, Howe Sound Pulp and Paper Limited, Fletcher Challenge Canada Limited, Western Pulp Limited Partnership and Pope & Talbot Ltd. with letter agreement dated October 27, 2004 between Terasen Gas (Vancouver Island) Inc., Pope & Talbot Ltd., Western Pulp Limited, Howe Sound Pulp and Paper Limited Partnership and Norske Skog Canada Limited and letter dated December 20, 2004.
32. Option to re-purchase dated August 31, 2002 from British Columbia Hydro and Power Authority to Pope & Talbot Ltd. for PID 025-586-840 (charge #EV16970).

E. Equipment Leases

- 33. Purchase order no. 07-S1232 dated January 2, 2007 between Pope & Talbot Ltd. and Port of Nanaimo Authority.
- 34. Lease agreement dated January 14, 2002 between Pope & Talbot Ltd. and DaimlerChrysler Financial Services Canada Inc.
- 35. Leasing agreement made May 28, 2004 between Berk's Intertruck Ltd. and Pope & Talbot Ltd.

F. Transportation Agreements

- 36. Agreement made as of January 13, 1998 between Harmac Pacific Inc. and Rivtow Marine Ltd. |
- 37. Letter agreement dated December 14, 2007 between Pope & Talbot, Inc. and Seaspan International Ltd. (relating to the barging of rail cars to and from the Harmac Mill).

G. Other Leases

- 38. Lease agreement dated for reference December 15, 2006 between TC Property Inc. and Pope & Talbot Ltd.
- 39. Option to purchase dated May 26, 1994 from The Nature Trust of British Columbia to MacMillan Bloedel Limited for PIDs 004-674-006, 004-678-478, and 004-678-486, as assigned by MacMillan Bloedel Limited to Harmac Pacific Inc. (now Pope & Talbot Ltd.) on May 26, 1994 (charge #EH70652 (assignment of R69305)).

H. Other Agreements

- 40. Nanaimo River Estuary Log Storage Association Agreement dated the __ day of __, 2004 between Weyerhaeuser Company Limited, Coastland Wood Industries Limited, Western Forest Products Inc. and Pope & Talbot Ltd.
- 41. Nanaimo Harbour Users Group Debris Agreement Letter of Understanding made as of the 31st day of March, 2006 between Nanaimo Port Authority and Western Forest Products Inc., Cascadia – Island Phoenix Division, Coastland Wood Industries Ltd., Teal Jones, Island Timberlands, and Pope & Talbot Ltd.

SUPPLIER CONTRACTS

Vendor No.	Name	Date Signed
45001	Bella Coola Reload – Property	May, 2007

	Lease	
45833	Valley Cedar	June, 2007
42742	SCG Forest Prod.	June, 2007
45680	E. Stirling Wood Products Ltd.	May, 2008
45125	Bayline Trucking	October, 2006
45185	Alpine Slinger & Transport	October, 2006
99049	BCF Shake & Shingle	July, 2006
99048	Aquila Cedar Products	May, 2006
42731	Island Pacific Wood	July, 2006
45350	Parallel Wood Products	November, 2006
43842	Jones Construction	November, 2006
42735	Long Hoh	October, 2007
43939	Meeker Errington	July, 2006

ASSIGNED CONTRACTS

<u>Name of Counterparty to Contract</u>	<u>Contract Date</u>
Agrium	May 15, 2006
Anglo Canadian Shipping Company (as agent for Medbulk Maritime)	November 1, 2006
Australia Paper Pty Ltd.	October 21, 2004
Beaver Forest Products	May 29, 2003 (amended by letters July 10, 2003, October 7, 2003, January 19, 2004, July 29, 2004, October 14, 2004, January 29, 2006, March 16, 2006, July 26, 2006, September 18, 2006, October 30, 2006, January 1, 2007 and March 1, 2007)
Bella Coola Small Loggers Assn.	September 2, 2006
BNSF Railway Company	effective August 31, 2007
Brenntag Canada Inc.	June 18, 2003 (amended October 8, 2004 and March 14, 2007)
British Columbia Hydro and Power Authority	October 19, 2001
British Columbia Hydro and Power Authority	August 31, 2002
Canadian National Railway Company (Canada)	July 11, 2007 (Limited Freight Tariff CN662568-AA)
Canadian National Railway Company (US)	Master Agreement No. 024791-AN
Canadian National Railway Company (US)	July 11, 2007 (Limited Freight Tariff CN662568AA)
Cartiere Burgo	March 6, 2002 and February 2, 2002 (amended December 12, 2002 and February 14, 2006)
Cgr Investments Inc.	May 8, 2008
Chemical Lime Company of Canada Inc.	December 21, 2006
Cheslatta Forest Products Ltd.	November 1, 2006 (amended February 15, 2007)
Cheslatta Forest Products Ltd.	November 1, 2006
Cominco American	February 26, 2001
Coulson Manufacturing Ltd.	July 1, 2006 (amended July 26,

	2006), August 28, 2006, September 18, 2006, September 26, 2006, October 30, 2006, January 1, 2007, January 29, 2007, April 1, 2007 and April 13, 2007)
Cybershift Inc. (US)	June 28, 2001
Cybershift Inc. (Canada)	June 28, 2001
Cybershift Inc.	June 25, 2001
CDT Chambers Trucking Ltd.	November 1, 2007
Fletcher Challenge Canada Limited (Catalyst Paper Corporation), Howe Sound Pulp and Paper Limited Partnership and Western Pulp Limited Partnership	November 1, 1994
FMC of Canada Limited	November 1, 1996
Gearbulk Pool Ltd.	November 2, 2005
IGI Resources Inc., Howe Sound Pulp and Paper Limited Partnership and Western Pulp Limited Partnership	July 1, 2004
IGI Resources Inc.	August 1, 2002
James Hardie Building Products Inc.	January 1, 2005 (amended February 8, 2006)
Kemira Chemicals Canada Inc.	January 1, 2007
Kitiwanga Lumber Company	June 10, 2005 (amended November 21, 2006, November 10, 2006, December 12, 2006, and January 1, 2007
MacMillan Bloedel Limited (now Western Forest Products)	May 26, 1994
MD LEIPA/Georg Leinfelder GmbH	November 13, 2006
Medbulk Maritime (aka Anglo Canadian Shipping Co.)	November 1, 2006
Nanaimo Port Authority	November 1, 2004
Nanaimo Port Authority	November 1, 2004
National Silicates	November 28, 2000 and November 16, 2000, with letter dated September 19, 2006
Neopost Leasing	January 29, 2003
Nexen Chemicals Canada Limited Partnership	August 1, 2001 (caustic soda sales contract)
Nexen Chemicals Canada Limited Partnership	August 1, 2001 (sodium chlorate

	sales contract)
Nexen Chemicals Canada Ltd.	August 1, 2005 (sub-lease of aquatic lands)
Nexen Chemicals Canada Ltd.	August 1, 2005 (sub-lease of aquatic lands)
Oracle Corporation (San Francisco)	Software licence agreement
Oracle Corporation (Chicago)	Software licence agreement
Perceptive Software Inc.	February 18, 2004
Praxair Canada Inc.	January 1, 2004
Province of British Columbia	August 1, 1990 (assigned May 26, 1994)
Province of British Columbia/MacMillan Bloedel Limited	August 1, 1990 (assigned May 26, 1994)
Province of British Columbia/MacMillan Bloedel Limited	August 1, 1990 (assigned May 26, 1994)
Province of British Columbia/Nanaimo Port Authority	November 1, 2004
Province of British Columbia/Nanaimo Port Authority	November 1, 2004
Quality Engineered Systems Ltd.	January 1, 2001
Quality Engineered Systems Ltd.	May 20, 2003
Quality Engineered Systems Ltd.	January 13, 2000
Rio Tinto Minerals (under Luzcnac)	March 20, 2007
Rivtow Marine Ltd.	January 13, 1998
Seaspan International Ltd.	December 14, 2007
Seaspan International Ltd.	December 14, 2007
Sigurdson Bros. Logging Company Ltd.	September 12, 2006
Smit Marine Canada Inc.	(wood chips transportation agreement)
Softchoice (Mcafee & Sophos)	(software licence agreement)
Star Shipping (Canada) Ltd.	February 5, 2002
Star Shipping (Canada) Ltd.	February 5, 2002
Star Shipping A/S	January 22, 2002 (amended January 23, 2004 and January 19, 2005)
Star Shipping A/S	February 5, 2002 (amended January 12, 2004)




Sterling Commerce	Gentren EDI software maintenance agreement
Sun Wave Forest Products Ltd.	September 25, 2006, amended November 10, 2006
Sybase	software licence agreement
Teck Cominco Metals Ltd.	April 15, 2005 and March 8, 2007
Telus Communications Company c.o.b. TELUS	August 14, 2006
Terasen Gas (Vancouver Island) Inc., Western Pulp Limited, Howe Sound Pulp and Paper Limited Partnership and Norske Skog Canada Limited (aka: Catalyst Paper Corporation)	December 14, 1995
Terasen Gas Inc.	November 1, 2004
Tolko Nicola	January 1, 2007
Trade Lane Solutions	April 1, 2004
Unifibra S.A.	December, 2007 (sales agency agreement)
West Chilcotin Forest Products Ltd.	November 1, 2006

SHARED CONTRACTS

1. Letter dated March 20, 2007 from Rio Tinto Minerals to Pope & Talbot Ltd.
2. Master lease agreement dated April 22, 2004 between Canadian Western Bank and Pope & Talbot Ltd., with Schedule No 15.

EXHIBIT "I"

INTELLECTUAL PROPERTY

<u>Trademark</u>	<u>Identifying Information</u>	<u>Jurisdiction</u>
<p>1. HARMAC HARMAC</p>	<p>App #: 0195268 Filing Date: 1947-05-01 Reg #: UCA026891 Registration Date: 1947-05-01 Owner: Pope & Talbot Ltd.</p>	<p>Canada</p>
<p>2. HARMAC PACIFIC & DESIGN</p>  <p>HARMAC PACIFIC</p>	<p>App #: 0752475 Filing Date: 1994-04-18 Reg #: TMA470725 Registration Date: 1997-02-11 Owner: Pope & Talbot Ltd.</p>	<p>Canada</p>
<p>3. HARMAC PACIFIC & DESIGN</p>  <p>HARMAC PACIFIC</p>	<p>App #: 0766055 Filing Date: 1994-10-13 Reg #: TMA453893 Registration Date: 1996-02-09 Owner: Pope & Talbot Ltd.</p>	<p>Canada</p>
<p>4. WAVE DESIGN</p> 	<p>App #: 0766054 Filing Date: 1994-10-13 Reg #: TMA453892 Registration Date: 1996-02-09 Owner: Pope & Talbot Ltd.</p>	<p>Canada</p>

APPENDIX C

Statement of Receipts and Disbursements for the period May 10 to August 1, 2008

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY
IN THE MATTER OF THE RECEIVERSHIP OF
POPE & TALBOT LTD., et al.
INTERIM RECEIVER'S STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD MAY 10, 2008 TO AUGUST 1, 2008**

RECEIPTS

Cash on hand	\$	7,320,373
Accounts receivable Collections		84,332,554
Other		1,449,190
Forest Investment Account trust funds		345,974
Interest		40,563
Foreign Exchange Gain		671,546
TOTAL RECEIPTS	\$	94,160,200

DISBURSEMENTS

Payroll related	\$	6,826,452
Freight, storage & commissions		3,350,869
Chemicals		15,683
Contract services		283,619
Fuel		1,308
Leases & rentals		55,517
Licences & permits		247,087
Operating		127,097
Supplies		4,073
Telephone		79
Utilities		1,433,755
Corporate		190,362
Insurance		437,502
Distributed from Forest Investment Account trust funds		116,000
Post receivership professional fees		
Interim Receiver	\$	2,446,158
Monitor fees		162,792
Legal		424,744
		<u>3,033,694</u>
Pre-receivership disbursements		
Payroll related	\$	185,320
Monitor fees		454,941
Legal fees		374,373
Other		98,967
		<u>1,113,601</u>
Funds transferred to US Chapter 7 trustee		2,955,226
TOTAL DISBURSEMENTS	\$	20,191,924
EXCESS RECEIPTS OVER DISBURSEMENTS	\$	73,968,276

Represented by:

Cash on hand	\$	16,433,081
Restricted Cash		
Funded Administrative Priorities		
D&O claims	\$	13,000,000
US professionals		5,000,000
Post-filing trade creditors		2,000,000
Forest Investment Account (trust funds)		229,974
		<u>20,229,974</u>
Distributions		
Wells Fargo Financial Canada Corporation		37,305,221
	\$	73,968,276